

**ARCADYAN TECHNOLOGY CORPORATION AND
SUBSIDIARIES**

Consolidated Financial Statements

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

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The independent auditors' 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 | 12~45 |
| (7) Related-party transactions | 46~48 |
| (8) Pledged assets | 48 |
| (9) Commitments and contingencies | 48 |
| (10) Losses Due to Major Disasters | 48 |
| (11) Subsequent Events | 48 |
| (12) Other | 49 |
| (13) Other disclosure items | |
| (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 March 31, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with the Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

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 \$1,320,713 thousand and \$999,374 thousand, both constituting 3% of consolidated total assets as of March 31, 2023 and 2022, respectively, total liabilities amounting to \$352,528 thousand and \$207,424 thousand, both constituting 1% of consolidated total liabilities as of March 31, 2023 and 2022, respectively, and total comprehensive income amounting to \$17,938 thousand and \$2,145 thousand, constituting 4% and 0% of consolidated total comprehensive income for the three months ended March 31, 2023 and 2022, 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 March 31, 2023 and 2022, and of its consolidated financial performance as well as its consolidated cash flows for the three months ended March 31, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)
May 4, 2023

Notes to Readers

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

The independent auditors’ review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors’ 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 Standards on Auditing
ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Consolidated Statement of Comprehensive Income
For the three months ended March 31, 2023 and 2022
(Expressed In thousand dollars of TWD, except earnings per share)

| | | For the three months ended March 31, | | | |
|------|--|---|-----------|-------------------|-----------|
| | | 2023 | | 2022 | |
| | | Amount | % | Amount | % |
| 4000 | Operating revenues (notes (6)(d) and (w)): | \$ 11,021,138 | 100 | 10,299,679 | 100 |
| 5000 | Operating costs (notes (6)(f), (r), (7) and (12)) | <u>9,454,766</u> | <u>86</u> | <u>8,884,937</u> | <u>86</u> |
| | Gross profit from operating | <u>1,566,372</u> | <u>14</u> | <u>1,414,742</u> | <u>14</u> |
| | Operating expenses (notes (6)(r), (7) and (12)): | | | | |
| 6100 | Selling expenses | 164,771 | 2 | 260,053 | 3 |
| 6200 | Administrative expenses | 131,911 | 1 | 125,967 | 1 |
| 6300 | Research and development expenses | <u>577,513</u> | <u>5</u> | <u>552,502</u> | <u>5</u> |
| | Total operating expenses | <u>874,195</u> | <u>8</u> | <u>938,522</u> | <u>9</u> |
| | Net operating income | <u>692,177</u> | <u>6</u> | <u>476,220</u> | <u>5</u> |
| | Non-operating income and expenses: | | | | |
| 7100 | Interest income | 30,234 | - | 14,477 | - |
| 7020 | Other income | 7,823 | - | 5,787 | - |
| 7230 | Foreign exchange gains(losses), net (note (6)(y)) | 23,021 | - | 48,706 | - |
| 7635 | Loss on financial assets (liabilities) at fair value through profit or loss (notes (6)(b) and (d)) | (11,592) | - | (24,616) | - |
| 7370 | Share of (loss) profit of associates and joint ventures accounted for using equity method (note (6)(g)) | (13,740) | - | 266 | - |
| 7510 | Interest expense (notes (6)(o), (p) and (7)) | <u>(73,994)</u> | <u>-</u> | <u>(13,229)</u> | <u>-</u> |
| | Total non-operating income and expenses | <u>(38,248)</u> | <u>-</u> | <u>31,391</u> | <u>-</u> |
| | Income before tax | 653,929 | 6 | 507,611 | 5 |
| 7950 | Less: Income tax expenses (note (6)(s)) | <u>157,890</u> | <u>1</u> | <u>132,298</u> | <u>1</u> |
| | Net income | <u>496,039</u> | <u>5</u> | <u>375,313</u> | <u>4</u> |
| 8300 | Other comprehensive income: | | | | |
| 8310 | Components of other comprehensive income (loss) that will not be reclassified to profit or loss | | | | |
| 8316 | Unrealized (losses) gains from investments in equity instruments measured at fair value through other comprehensive income (note (6)(c)) | (82) | - | 31,004 | - |
| 8349 | Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(s)) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | Components of other comprehensive income (loss) that will not be reclassified to profit or loss | <u>(82)</u> | <u>-</u> | <u>31,004</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 | (22,020) | - | 78,300 | 1 |
| 8368 | Gains on hedging instrument (note (6)(d)) | 20,686 | - | 34,000 | - |
| 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)) | 19 | - | 27 | - |
| 8399 | Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note (6)(s)) | <u>4,137</u> | <u>-</u> | <u>15,660</u> | <u>-</u> |
| | Components of other comprehensive income (loss) that will be reclassified to profit or loss | <u>(5,452)</u> | <u>-</u> | <u>96,667</u> | <u>1</u> |
| 8300 | Other comprehensive income | <u>(5,534)</u> | <u>-</u> | <u>127,671</u> | <u>1</u> |
| | Total comprehensive income | <u>\$ 490,505</u> | <u>5</u> | <u>\$ 502,984</u> | <u>5</u> |
| | Net income, attributable to: | | | | |
| | Owners of parent | \$ 496,615 | 5 | 389,825 | 4 |
| 8620 | Non-controlling interests | <u>(576)</u> | <u>-</u> | <u>(14,512)</u> | <u>-</u> |
| | | <u>496,039</u> | <u>5</u> | <u>375,313</u> | <u>4</u> |
| | Comprehensive income attributable to: | | | | |
| | Owners of parent | \$ 491,849 | 5 | 518,584 | 5 |
| | Non-controlling interests | <u>(1,344)</u> | <u>-</u> | <u>(15,600)</u> | <u>-</u> |
| | | <u>\$ 490,505</u> | <u>5</u> | <u>\$ 502,984</u> | <u>5</u> |
| | Earnings per share (note (6)(v)) | | | | |
| 9750 | Basic earnings per share | <u>\$ 2.25</u> | | <u>1.80</u> | |
| 9850 | Diluted earnings per share | <u>\$ 2.22</u> | | <u>1.75</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 Standards on Auditing
ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Statement of Changes in Equity
For the three months ended March 31, 2023 and 2022
(Expressed in thousand dollars of TWD)

| | Equity attributable to owners of parent | | | | | | Total other equity interest | | | | | | Non-controlling interests | Total equity |
|--|---|-----------------|---------------|-----------------|----------------------------------|-------------------------|---|---|---------------------------------------|---------------------------|-----------------------------|---|---------------------------|--------------|
| | Ordinary shares | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Total retained earnings | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | Gains (losses) on hedging instruments | Unearned employee benefit | Total other equity interest | Total equity attributable to owners of parent | | |
| 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 three months ended March 31, 2022 | - | - | - | - | 389,825 | 389,825 | - | - | - | - | - | 389,825 | (14,512) | 375,313 |
| Other comprehensive income for the three months ended March 31, 2022 | - | - | - | - | - | - | 63,755 | 31,004 | 34,000 | - | 128,759 | 128,759 | (1,088) | 127,671 |
| Comprehensive income for the three months ended March 31, 2022 | - | - | - | - | 389,825 | 389,825 | 63,755 | 31,004 | 34,000 | - | 128,759 | 518,584 | (15,600) | 502,984 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | | | | |
| 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 | 26,848 | 193,720 | - | - | - | - | - | - | - | - | - | 220,568 | - | 220,568 |
| Changes in equity of associates and subsidiaries accounted for using equity method | - | 1,627 | - | - | - | - | - | - | - | - | - | 1,627 | - | 1,627 |
| Share-based payment transactions | (88) | 88 | - | - | - | - | - | - | 4,886 | 4,886 | 4,886 | - | - | 4,886 |
| Balance at March 31, 2022 | \$ 2,191,686 | 4,010,429 | 1,152,791 | 196,919 | 4,518,042 | 5,867,752 | (179,992) | 7,673 | 34,000 | (8,144) | (146,463) | 11,923,404 | 251,412 | 12,174,816 |
| Balance at January 1, 2023 | \$ 2,203,543 | 4,091,729 | 1,330,667 | 267,078 | 5,916,436 | 7,514,181 | 39,384 | (3,350) | (38,247) | - | (2,213) | 13,807,240 | 132,021 | 13,939,261 |
| Net income for the three months ended March 31, 2023 | - | - | - | - | 496,615 | 496,615 | - | - | - | - | - | 496,615 | (576) | 496,039 |
| Other comprehensive income for the three months ended March 31, 2023 | - | - | - | - | - | - | (21,233) | (82) | 16,549 | - | (4,766) | (4,766) | (768) | (5,534) |
| Comprehensive income for the three months ended March 31, 2023 | - | - | - | - | 496,615 | 496,615 | (21,233) | (82) | 16,549 | - | (4,766) | 491,849 | (1,344) | 490,505 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | | | | |
| Cash dividends of ordinary share | - | - | - | - | (1,211,949) | (1,211,949) | - | - | - | - | - | (1,211,949) | - | (1,211,949) |
| Cash dividends from capital surplus | - | (220,354) | - | - | - | - | - | - | - | - | - | (220,354) | - | (220,354) |
| Changes in equity of associates and subsidiaries accounted for using equity method | - | 1,068 | - | - | - | - | - | - | - | - | - | 1,068 | - | 1,068 |
| Balance at March 31, 2023 | \$ 2,203,543 | 3,872,443 | 1,330,667 | 267,078 | 5,201,102 | 6,798,847 | 18,151 | (3,432) | (21,698) | - | (6,979) | 12,867,854 | 130,677 | 12,998,531 |

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 Cash Flows
For the three months ended March 31, 2023 and 2022
(Expressed in thousand dollars of TWD)

| | For the three months ended March 31, | |
|---|--------------------------------------|--------------------|
| | 2023 | 2022 |
| Cash flows from (used in) operating activities: | | |
| Income before tax | \$ 653,929 | 507,611 |
| Adjustments: | | |
| Adjustments to reconcile profit (loss): | | |
| Depreciation expense | 193,388 | 153,656 |
| Amortization expense | 13,294 | 12,218 |
| Expected credit (gains) losses | (9,246) | 2,928 |
| Interest expense | 73,994 | 13,229 |
| Interest income | (30,234) | (14,477) |
| Net gain on financial assets or liabilities at fair value through profit or loss | (190) | (1,498) |
| Share-based payment transactions | - | 4,886 |
| Share of loss (profit) of associates and joint ventures accounted for using equity method | 13,740 | (266) |
| (Gains) losses on disposal of property, plant and equipment | (546) | 7,315 |
| Lease modification benefits | - | (2,354) |
| Others | 306 | (3,288) |
| Total adjustments to reconcile profit (loss) | 254,506 | 172,349 |
| Changes in operating assets and liabilities: | | |
| Changes in financial assets or liabilities at fair value through profit or loss | (16,384) | 51,446 |
| Decrease (increase) in notes and accounts receivable | 2,630,963 | (2,068,208) |
| Increase in other receivables (including related parties) | (98,956) | (73,928) |
| Increase in inventories | (1,077,877) | (1,139,565) |
| Decrease (increase) in prepayments | 38,044 | (24,588) |
| Increase in other current assets | (3,021) | (22,426) |
| (Decrease) increase in accounts payable (including related parties) | (1,308,957) | 612,061 |
| Decrease in other payables and other current liabilities | (393,832) | (54,352) |
| Decrease in other operating liabilities | (567) | (659) |
| Total changes in operating assets and liabilities | (230,587) | (2,720,219) |
| Total adjustments | 23,919 | (2,547,870) |
| Cash inflow (outflow) generated from operations | 677,848 | (2,040,259) |
| Interest received | 38,624 | 13,217 |
| Interest paid | (76,093) | (8,708) |
| Income taxes paid | (4,459) | (67,295) |
| Net cash flows from (used in) operating activities | 635,920 | (2,103,045) |
| Cash flows from (used in) investing activities: | | |
| Acquisition of property, plant and equipment | (435,613) | (414,162) |
| Proceeds from disposal of property, plant and equipment | 6,436 | 6,976 |
| Proceeds from disposal of right-of-use assets | - | 40,541 |
| (Increase) decrease in refundable deposits | (74,657) | 49,383 |
| Acquisition of intangible assets | (5,734) | (5,124) |
| Decrease in other non-current assets | 95 | - |
| Net cash flows used in investing activities | (509,473) | (322,386) |
| Cash flows from (used in) financing activities: | | |
| (Decrease) increase in short-term borrowings | (1,635,536) | 516,252 |
| Increase in long-term borrowings | 1,129,139 | - |
| (Decrease) increase in guarantee deposits received | (252) | 2,421 |
| Repayment of lease principal | (20,244) | (20,431) |
| Other financing activities | 4 | 10 |
| Net cash flows from (used in) financing activities | (526,889) | 498,252 |
| Effect of exchange rate changes on cash and cash equivalents | 5,939 | 10,815 |
| Net decrease in cash and cash equivalents | (394,503) | (1,916,364) |
| Cash and cash equivalents at beginning of period | 7,579,551 | 7,970,779 |
| Cash and cash equivalents at end of period | \$ 7,185,048 | 6,054,415 |

See accompanying notes to consolidated financial statements.

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

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2023 and 2022

(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 March 31, 2023 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 May 4, 2023.

(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, 2023:

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (b) 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:

| Standards or Interpretations | Content of amendment | Effective date per IASB |
|---|---|--------------------------------|
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” | 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. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt. | January 1, 2024 |
| Amendments to IAS 1 “Non-current Liabilities with Covenants” | After reconsidering certain aspects of the 2020 amendments ¹ , 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. 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. | 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, 2022. For the related information, please refer to note (4) of the consolidated financial statements for the year ended December 31, 2022.

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

| Investor | Name of Subsidiary | Nature of operation | Percentage ownership | | | Description |
|-------------------------|--|---|----------------------|-------------------|----------------|-------------|
| | | | March 31, 2023 | December 31, 2022 | March 31, 2022 | |
| 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. (“Aracadyan 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 |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| Investor | Name of Subsidiary | Nature of operation | Percentage ownership | | | Description |
|------------------|---|---|----------------------|-------------------|----------------|-------------|
| | | | March 31, 2023 | December 31, 2022 | March 31, 2022 | |
| 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 % | 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.

(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".

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

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, major judgements, estimates and underlying assumptions which are in conformity with note (5) of the consolidated financial statements for the year ended December 31, 2022.

(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 2022 annual consolidated financial statements. Please refer to Note (6) of the 2022 annual consolidated financial statements.

(a) Cash and cash equivalents

| | March 31, 2023 | December 31, 2022 | March 31, 2022 |
|---------------------------------------|---------------------------------|------------------------------------|---------------------------------|
| Cash on hand | \$ 3,673 | 2,738 | 2,234 |
| Checking accounts and demand deposits | 2,026,126 | 2,522,308 | 1,949,950 |
| Time deposits | 3,855,249 | 3,804,505 | 4,102,231 |
| Repurchase agreements | <u>1,300,000</u> | <u>1,250,000</u> | <u>-</u> |
| | <u>\$ 7,185,048</u> | <u>7,579,551</u> | <u>6,054,415</u> |

Please refer to note (6)(y) 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>March 31,</u> <u>2023</u> | <u>December 31,</u> <u>2022</u> | <u>March 31,</u> <u>2022</u> |
|--|---------------------------------|------------------------------------|---------------------------------|
| Current financial assets mandatorily measured at fair value through profit or loss: | | | |
| Derivative instruments not used for hedging: | | | |
| Foreign exchange forward contracts | \$ 205 | 187 | 17,863 |
| Foreign exchange swaps contracts | <u>3,001</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 3,206</u> | <u>187</u> | <u>17,863</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>\$ 46,569</u> | <u>46,379</u> | <u>38,973</u> |
| Held-for-trading financial liabilities: | | | |
| Derivative instruments not used for hedging: | | | |
| Foreign exchange forward contracts | \$ 17,430 | 30,795 | 5,455 |
| Foreign exchange swaps contracts | <u>-</u> | <u>-</u> | <u>45,730</u> |
| Total | <u>\$ 17,430</u> | <u>30,795</u> | <u>51,185</u> |

The Group uses derivative financial instruments to hedge the certain foreign exchange risk the Group is exposed to, arising from its operating activities. As of March 31, 2023, December 31 and March 31, 2022, the derivative instruments, without the application of hedge accounting, classified as financial assets mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities were as follows:

| | <u>March 31, 2023</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 3,000 | Sell EUR / USD | July 14, 2023 |
| Foreign exchange forward | USD 764 | Buy USD / INR | June 14, 2023 |
| Swap contracts: | | | |
| Foreign exchange swaps | USD 10,000 | B/S USD / TWD | May 30, 2023 |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| March 31, 2023 | | | |
|--|---|-----------------|---------------------------------------|
| | Contract amount (in thousands) | Currency | Maturity date |
| Derivative financial liabilities: | | | |
| Forward contracts: | | | |
| Foreign exchange forward | USD 3,263 | Buy USD / INR | April 13, 2023~ May 30, 2023 |
| Foreign exchange forward | EUR 38,000 | Sell EUR / USD | April 14, 2023~ August 30, 2023 |
| December 31, 2022 | | | |
| | Contract amount (in thousands) | Currency | Maturity date |
| Derivative financial assets: | | | |
| Forward contracts: | | | |
| Foreign exchange forward | EUR 8,000 | Sell EUR / USD | May 12, 2023~ June 14, 2023 |
| Foreign exchange forward | USD 512 | Buy USD / INR | January 31, 2023 |
| Derivative financial liabilities: | | | |
| Forward contracts: | | | |
| Foreign exchange forward | EUR 20,000 | Sell EUR / USD | January 31, 2023~ April 14, 2023 |
| Foreign exchange forward | EUR 2,000 | Sell EUR / TWD | January 31, 2023 |
| March 31, 2022 | | | |
| | Contract amount (in thousands) | Currency | Maturity date |
| Derivative financial assets: | | | |
| Forward contracts: | | | |
| Foreign exchange forward | EUR 25,000 | Sell EUR / USD | April 14, 2022~ August 12, 2022 |
| Derivative financial liabilities: | | | |
| Forward contracts: | | | |
| Foreign exchange forward | EUR 3,000 | Sell EUR / USD | June 6, 2022 |
| Foreign exchange forward | EUR 8,000 | Sell EUR / TWD | May 3, 2022~ June 29, 2022 |
| Foreign exchange forward | USD 800 | Buy USD / BRL | August 29, 2022 |
| Swap contracts: | | | |
| Foreign exchange swaps | USD100,000 | B/S USD / TWD | April 28, 2022~ September 29, 2022 |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

As of March 31, 2023, December 31 and March 31, 2022, the Group did not provide any aforementioned financial assets as collaterals.

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

| | <u>March 31,</u> <u>2023</u> | <u>December 31,</u> <u>2022</u> | <u>March 31,</u> <u>2022</u> |
|---|---------------------------------|------------------------------------|---------------------------------|
| Equity investments at fair value through other comprehensive income: | | | |
| Stock unlisted on domestic markets | \$ <u>46,068</u> | <u>46,150</u> | <u>57,173</u> |

- (i) For the three months ended March 31, 2023 and 2022, unrealized (losses) gains from above-mentioned equity investments measured at fair value were \$(82) and \$31,004, 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 three months ended March 31, 2023 and 2022.
- (iii) Please refer to note (6)(y) 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>March 31,</u> <u>2023</u> | <u>December 31,</u> <u>2022</u> | <u>March 31,</u> <u>2022</u> |
|--|---------------------------------|------------------------------------|---------------------------------|
| Cash flow hedge: | | | |
| Financial assets used for hedging: | | | |
| Foreign exchange forward contracts | \$ <u>5,759</u> | <u>-</u> | <u>34,000</u> |
| Financial liabilities used for hedging: | | | |
| Foreign exchange forward contracts | \$ <u>32,882</u> | <u>47,809</u> | <u>-</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

As of March 31, 2023, December 31 and March 31, 2022, the amounts relating to the items designated as hedging instruments were as follows:

| | | March 31, 2023 | | | |
|--|------------|---|--|--------------------------|---------------------------------|
| | | <u>Contract amount (in thousands)</u> | <u>Currency</u> | <u>Maturity date</u> | <u>Average strike price</u> |
| Derivative financial assets used for hedging | | | | | |
| Forward contracts: | | | | | |
| Foreign exchange forward | EUR 49,000 | Sell EUR / USD | April 27, 2023~ June 29, 2023 | 1.0956 | |
| Derivative financial liabilities used for hedging | | | | | |
| Forward contracts: | | | | | |
| Foreign exchange forward | EUR 26,000 | Sell EUR / USD | April 27, 2023~ December 28, 2023 | 1.0511 | |
| | | December 31, 2022 | | | |
| | | <u>Contract amount (in thousands)</u> | <u>Currency</u> | <u>Maturity date</u> | <u>Average strike price</u> |
| Derivative financial liabilities used for hedging | | | | | |
| Forward contracts: | | | | | |
| Foreign exchange forward | EUR 65,000 | Sell EUR / USD | January 30, 2023~ December 28, 2023 | 1.0472 | |
| | | March 31, 2022 | | | |
| | | <u>Contract amount (in thousands)</u> | <u>Currency</u> | <u>Maturity date</u> | <u>Average strike price</u> |
| Derivative financial assets used for hedging | | | | | |
| Forward contracts: | | | | | |
| Foreign exchange forward | EUR 37,000 | Sell EUR / USD | April 28, 2022~ September 29, 2022 | 1.1511 | |

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

For the three months ended March 31, 2023 and 2022, the details of adjustments on reclassification from components of other comprehensive income were as follows:

| | For the three months ended March 31, | |
|---|---|---------------|
| | <u>2023</u> | <u>2022</u> |
| Cash flow hedge: | | |
| (Loss) profit in current period | \$ (12,985) | 34,000 |
| Less: Loss of adjustments on reclassification from components of other comprehensive income which belongs to net income | (33,671) | - |
| Net gains recognized in other comprehensive income | <u>\$ 20,686</u> | <u>34,000</u> |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (iv) For the three months ended March 31, 2023 and 2022, there were no ineffective portions of cash flow hedge recognized in profit or loss.
- (v) For the three months ended March 31, 2023 and 2022, profit 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

| | March 31, 2023 | December 31, 2022 | March 31, 2022 |
|---|----------------------------|------------------------------|---------------------------|
| Notes receivable from operating activities | \$ 20,131 | 4,992 | 20,556 |
| Accounts receivable – measured at amortized cost | 7,200,697 | 10,836,321 | 9,291,250 |
| Accounts receivable – fair value through other comprehensive income | 989,522 | - | 476,850 |
| | 8,210,350 | 10,841,313 | 9,788,656 |
| Less: allowance for uncollectible accounts | (35,378) | (44,598) | (30,644) |
| | <u>\$ 8,174,972</u> | <u>10,796,715</u> | <u>9,758,012</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 receivable 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 of the Group as of March 31, 2023, December 31 and March 31, 2022 were determined as follows:

| Credit rating | March 31, 2023 | | | |
|----------------------|------------------------------|----------------------------------|----------------------|------------------------|
| | Gross carrying amount | Weighted-average ECL rate | Lifetime ECLs | Credit impaired |
| Level A | \$ 1,432,877 | 0% | - | No |
| Level B | 5,766,095 | 0.10% | 5,816 | No |
| Level C | 991,522 | 1.00% | 9,706 | No |
| Level D | - | - | - | - |
| Level E | 19,856 | 100% | 19,856 | Yes |
| Total | <u>\$ 8,210,350</u> | | <u>35,378</u> | |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| December 31, 2022 | | | | |
|--------------------------|------------------------------|----------------------------------|----------------------|------------------------|
| Credit rating | Gross carrying amount | Weighted-average ECL rate | Lifetime ECLs | Credit impaired |
| Level A | \$ 2,524,744 | 0% | - | No |
| Level B | 6,876,702 | 0.10% | 6,923 | No |
| Level C | 1,419,845 | 1.00% | 17,653 | No |
| Level D | - | | - | - |
| Level E | <u>20,022</u> | 100% | <u>20,022</u> | Yes |
| Total | <u><u>\$ 10,841,313</u></u> | | <u><u>44,598</u></u> | |

| March 31, 2022 | | | | |
|-----------------------|------------------------------|----------------------------------|----------------------|------------------------|
| Credit rating | Gross carrying amount | Weighted-average ECL rate | Lifetime ECLs | Credit impaired |
| Level A | \$ 2,888,055 | 0% | - | No |
| Level B | 6,325,787 | 0.10% | 6,364 | No |
| Level C | 556,193 | 1.00% | 5,659 | No |
| Level D | - | - | - | - |
| Level E | <u>18,621</u> | 100% | <u>18,621</u> | Yes |
| Total | <u><u>\$ 9,788,656</u></u> | | <u><u>30,644</u></u> | |

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

| | March 31, 2023 | December 31, 2022 | March 31, 2022 |
|-----------------------|----------------------------|------------------------------|---------------------------|
| Overdue 1~30 days | \$ 444,255 | 1,071,407 | 496,569 |
| Overdue 31~60 days | 178,921 | 163,112 | 115,821 |
| Overdue 61~90 days | 204,583 | 129,856 | 64,798 |
| Overdue 91~180 days | 169,311 | 71,332 | 12,743 |
| Overdue over 181 days | <u>26,722</u> | <u>28,574</u> | <u>26,574</u> |
| | <u><u>\$ 1,023,792</u></u> | <u><u>1,464,281</u></u> | <u><u>716,505</u></u> |

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

| | For the three months ended March 31, | |
|---------------------------------------|---|----------------------|
| | 2023 | 2022 |
| Balance at January 1 | \$ 44,598 | 28,152 |
| Impairment loss (reversed) recognized | <u>(9,220)</u> | <u>2,492</u> |
| Balance at March 31 | <u><u>\$ 35,378</u></u> | <u><u>30,644</u></u> |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As of March 31, 2023, December 31 and March 31, 2022, the Group did not provide any aforementioned notes and accounts receivable as collaterals.

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 amount without advance are received when the accounts receivable are paid by the customers.

For the year ended December 31, 2022, the Group has not transferred accounts receivable. As of March 31, 2023, there were unreceived balances of transferred accounts receivable amounted to \$42,366, which were recognized under other receivables. The details of the derecognized account receivables were as follows:

| March 31, 2023 | | | | | | | |
|------------------------|---|----------------------|----------------------|---|-------------------|----------------------------|----------------------|
| <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>423,657</u> | <u>-</u> | <u>381,291</u> | <u>42,366</u> | None | <u>423,657</u> | 5.43%~5.81% |

(f) Inventories

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

| | <u>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|------------------|-----------------------|--------------------------|-----------------------|
| Raw materials | \$ 3,836,450 | 2,693,315 | 6,764,510 |
| Work in progress | 920,868 | 456,966 | 1,104,343 |
| Finished goods | <u>10,884,117</u> | <u>11,413,277</u> | <u>5,767,131</u> |
| | <u>\$ 15,641,435</u> | <u>14,563,558</u> | <u>13,635,984</u> |

(ii) Inventory cost recognized as operating costs for the three months ended March 31, 2023 and 2022 were as follows:

| | <u>For the three months ended March 31,</u> | |
|--|---|------------------|
| | <u>2023</u> | <u>2022</u> |
| Cost of sales and expenses | \$ 9,587,302 | 8,699,004 |
| (Recovery) provision for inventory valuation and obsolescence loss | <u>(132,536)</u> | <u>185,933</u> |
| | <u>\$ 9,454,766</u> | <u>8,884,937</u> |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) As of March 31, 2023, December 31 and March 31, 2022, the Group did not provide any inventories as collaterals.

(g) Investments accounted for using equity method

A summary of the Group's financial information for equity-accounted investees at the reporting date were as follows:

| | March 31, 2023 | December 31, 2022 | March 31, 2022 |
|------------|---------------------------|------------------------------|---------------------------|
| Associates | <u>\$ 285,611</u> | <u>305,101</u> | <u>312,425</u> |

(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:

| | March 31, 2023 | December 31, 2022 | March 31, 2022 |
|---|---------------------------|------------------------------|---------------------------|
| Aggregate carrying amount of the Group's associates that are individually insignificant | <u>\$ 285,611</u> | <u>305,101</u> | <u>312,425</u> |

Share of associates attributed to the Group were as follows:

| | For the three months ended March 31, | |
|--|---|-------------|
| | 2023 | 2022 |
| Net (loss) income from continuing operations | (13,740) | 266 |
| Other comprehensive income | 19 | 27 |
| Total comprehensive (loss) income | <u>(13,721)</u> | <u>293</u> |

(ii) As of March 31, 2023, December 31 and March 31, 2022, the Group did not provide any investment accounted for using equity method as collaterals.

(h) Loss control of subsidiaries

There were no changes in the Group's control over its subsidiaries for the three months ended March 31, 2023. However, since one of its subsidiaries AcBel Telecom had completed its liquidation process in August, 2022, the Group lost control over it. For related information, please refer to note (6)(h) of the 2022 annual consolidated financial statements.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group for the three months ended March 31, 2023 and 2022 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: | | | | | | | | |
| Balance at January 1, 2023 | \$ 878,978 | 1,610,550 | 3,339,657 | 716,765 | 243,435 | 496,364 | 696,813 | 7,982,562 |
| Additions | - | - | 46,129 | 22,653 | 9,931 | 5,756 | 352,434 | 436,903 |
| Reclassifications | - | - | - | 3,256 | - | (192) | (24,287) | (21,223) |
| Disposals and derecognitions | - | - | (17,070) | (2,816) | (98,716) | (1,126) | - | (119,728) |
| Effect of movements in exchange rates | - | (6,497) | (26,973) | 1 | (293) | (2,584) | (5,005) | (41,351) |
| Balance at March 31, 2023 | <u>\$ 878,978</u> | <u>1,604,053</u> | <u>3,341,743</u> | <u>739,859</u> | <u>154,357</u> | <u>498,218</u> | <u>1,019,955</u> | <u>8,237,163</u> |
| 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 | - | 6,017 | 346,812 | 11,608 | 3,862 | 5,223 | 42,934 | 416,456 |
| Reclassifications | - | 5,101 | 8,005 | - | - | 5,895 | (21,166) | (2,165) |
| Disposals and derecognitions | - | - | (20,533) | (22,568) | (460) | (7,096) | - | (50,657) |
| Effect of movements in exchange rates | - | 21,979 | 80,339 | 1,013 | 411 | 6,200 | 289 | 110,231 |
| Balance at March 31, 2022 | <u>\$ 878,978</u> | <u>1,545,514</u> | <u>2,899,381</u> | <u>687,320</u> | <u>225,994</u> | <u>472,357</u> | <u>41,186</u> | <u>6,750,730</u> |
| Depreciation: | | | | | | | | |
| Balance at January 1, 2023 | \$ - | 165,507 | 1,959,147 | 439,066 | 197,233 | 314,541 | - | 3,075,494 |
| Depreciation | - | 11,841 | 116,043 | 18,420 | 6,413 | 16,026 | - | 168,743 |
| Reclassifications | - | - | - | - | - | - | - | - |
| Disposals and derecognitions | - | - | (11,191) | (2,815) | (98,715) | (1,117) | - | (113,838) |
| Effect of movements in exchange rates | - | (263) | (15,419) | 1 | (85) | (1,850) | - | (17,616) |
| Balance at March 31, 2023 | <u>\$ -</u> | <u>177,085</u> | <u>2,048,580</u> | <u>454,672</u> | <u>104,846</u> | <u>327,600</u> | <u>-</u> | <u>3,112,783</u> |
| Balance at January 1, 2022 | \$ - | 117,853 | 1,508,894 | 419,902 | 182,781 | 284,922 | - | 2,514,352 |
| Depreciation | - | 11,093 | 81,953 | 17,817 | 5,040 | 12,615 | - | 128,518 |
| Reclassifications | - | - | (404) | - | - | - | - | (404) |
| Disposals and derecognitions | - | - | (15,702) | (13,874) | (460) | (6,330) | - | (36,366) |
| Effect of movements in exchange rates | - | 214 | 43,769 | 1,046 | 154 | 3,647 | - | 48,830 |
| Balance at March 31, 2022 | <u>\$ -</u> | <u>129,160</u> | <u>1,618,510</u> | <u>424,891</u> | <u>187,515</u> | <u>294,854</u> | <u>-</u> | <u>2,654,930</u> |
| Carrying amounts: | | | | | | | | |
| Balance at March 31, 2023 | <u>\$ 878,978</u> | <u>1,426,968</u> | <u>1,293,163</u> | <u>285,187</u> | <u>49,511</u> | <u>170,618</u> | <u>1,019,955</u> | <u>5,124,380</u> |
| Balance at January 1, 2023 | <u>\$ 878,978</u> | <u>1,445,043</u> | <u>1,380,510</u> | <u>277,699</u> | <u>46,202</u> | <u>181,823</u> | <u>696,813</u> | <u>4,907,068</u> |
| Balance at March 31, 2022 | <u>\$ 878,978</u> | <u>1,416,354</u> | <u>1,280,871</u> | <u>262,429</u> | <u>38,479</u> | <u>177,503</u> | <u>41,186</u> | <u>4,095,800</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> |

As of March 31, 2023, December 31 and March 31, 2022, the Group did not provide any property, plant and equipment as collaterals.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(j) 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 three months ended March 31, 2023 and 2022 were as follows:

| | <u>Land</u> | <u>Buildings</u> | <u>Machinery Equipment</u> | <u>Vehicles and other</u> | <u>Total</u> |
|---------------------------------------|-------------------|------------------|--------------------------------|-------------------------------|----------------|
| Cost: | | | | | |
| Balance at January 1, 2023 | \$ 330,296 | 345,101 | - | 26,127 | 701,524 |
| Additions | - | - | - | 6,681 | 6,681 |
| Disposal/Write-off | - | - | - | (2,116) | (2,116) |
| Effect of movements in exchange rates | (2,743) | (2,282) | - | (17) | (5,042) |
| Balance at March 31, 2023 | <u>\$ 327,553</u> | <u>342,819</u> | <u>-</u> | <u>30,675</u> | <u>701,047</u> |
| Balance at January 1, 2022 | \$ 297,707 | 360,109 | 81,081 | 16,530 | 755,427 |
| Additions | - | 16,003 | - | 7,832 | 23,835 |
| Disposal/Write-off | - | (13,291) | (81,081) | - | (94,372) |
| Effect of movements in exchange rates | 9,465 | 9,411 | - | - | 18,876 |
| Balance at March 31, 2022 | <u>\$ 307,172</u> | <u>372,232</u> | <u>-</u> | <u>24,362</u> | <u>703,766</u> |
| Depreciation: | | | | | |
| Balance at January 1, 2023 | \$ 20,529 | 176,215 | - | 11,971 | 208,715 |
| Depreciation | 1,793 | 20,073 | - | 2,779 | 24,645 |
| Disposal/Write-off | - | - | - | (2,116) | (2,116) |
| Effect of movements in exchange rates | (168) | (1,165) | - | (9) | (1,342) |
| Balance at March 31, 2023 | <u>\$ 22,154</u> | <u>195,123</u> | <u>-</u> | <u>12,625</u> | <u>229,902</u> |
| Balance at January 1, 2022 | \$ 11,973 | 108,727 | 41,891 | 6,529 | 169,120 |
| Depreciation | 1,651 | 21,641 | - | 1,846 | 25,138 |
| Disposal/Write-off | - | (11,445) | (41,891) | - | (53,336) |
| Effect of movements in exchange rates | 415 | 3,296 | - | - | 3,711 |
| Balance at March 31, 2022 | <u>\$ 14,039</u> | <u>122,219</u> | <u>-</u> | <u>8,375</u> | <u>144,633</u> |
| Carrying amount: | | | | | |
| Balance on March 31, 2023 | <u>\$ 305,399</u> | <u>147,696</u> | <u>-</u> | <u>18,050</u> | <u>471,145</u> |
| Balance at January 1, 2023 | <u>\$ 309,767</u> | <u>168,886</u> | <u>-</u> | <u>14,156</u> | <u>492,809</u> |
| Balance at March 31, 2022 | <u>\$ 293,133</u> | <u>250,013</u> | <u>-</u> | <u>15,987</u> | <u>559,133</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> |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Intangible Assets

A summary of intangible assets of the Group for the three months ended March 31, 2023 and 2022 were as follows:

| | <u>Goodwill</u> | <u>Authorization fee</u> | <u>Computer software and others</u> | <u>Total</u> |
|------------------|-----------------|------------------------------|---|----------------|
| Carrying amount: | | | | |
| March 31, 2023 | \$ <u>6,556</u> | <u>3,898</u> | <u>75,263</u> | <u>85,717</u> |
| January 1, 2023 | \$ <u>6,556</u> | <u>4,522</u> | <u>82,201</u> | <u>93,279</u> |
| March 31, 2022 | \$ <u>6,556</u> | <u>6,384</u> | <u>95,002</u> | <u>107,942</u> |
| January 1, 2022 | \$ <u>6,556</u> | <u>7,008</u> | <u>101,464</u> | <u>115,028</u> |

There were no significant additions, disposals, recognitions and reversals of impairment loss on intangible assets for the three months ended March 31, 2023 and 2022. Information about amortization for the period is disclosed in note (12). Please refer to note (6)(k) of the 2022 annual consolidated financial statements for other related information.

As of March 31, 2023, December 31 and March 31, 2022, the Group did not provide any intangible assets as collaterals.

(l) Short-term borrowings

| | <u>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|--|---------------------------|------------------------------|---------------------------|
| Unsecured bank loans | \$ <u>2,751,046</u> | <u>4,386,582</u> | <u>4,879,832</u> |
| Unused credit line for short-term borrowings | \$ <u>13,118,618</u> | <u>11,618,524</u> | <u>8,056,517</u> |
| Annual interest rates | <u>1.77%~5.58%</u> | <u>0.05%~5.58%</u> | <u>0.05%~3.70%</u> |

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

(m) Other current liabilities

| | <u>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|---|---------------------------|------------------------------|---------------------------|
| Temporary receipts–non-recurring engineering revenue and collection on behalf of others | \$ 1,148,401 | 814,405 | 706,813 |
| Others | <u>82,545</u> | <u>103,613</u> | <u>303,883</u> |
| | <u>\$ 1,230,946</u> | <u>918,018</u> | <u>1,010,696</u> |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(n) Long-term borrowings

The details of long-term borrowings were as follows:

| | March 31, 2023 | December 31, 2022 | March 31, 2022 |
|---|---------------------------|------------------------------|---------------------------|
| Unsecured bank loans | \$ 1,129,139 | - | - |
| Less: current portion | 1,041,638 | - | - |
| Total | <u>\$ 87,501</u> | <u>-</u> | <u>-</u> |
| Unused credit line for long-term borrowings | <u>\$ 507,633</u> | <u>-</u> | <u>-</u> |
| Annual interest rates | <u>2.80%~5.28%</u> | | |

- (i) The loans, with maturity dates from July 2023 to May 2024, were amounted to \$1,129,139 for the three months ended March 31, 2023.
- (ii) As of March 31, 2023, the Group did not provide any assets pledged as collaterals for the bank loan.
- (iii) For the information of the Group's interest risk, foreign currency risk and liquidity risk, please see note (6)(y).

(o) Unsecured convertible bonds payable

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

| | March 31, 2023 | December 31, 2022 | March 31, 2022 |
|--|---------------------------|------------------------------|---------------------------|
| Total convertible bonds issued | \$ - | 1,000,000 | 1,000,000 |
| Unamortized discounts on bonds payable | - | - | (44) |
| Unamortized issuance cost on bonds payable | - | - | (208) |
| Accumulated converted amount | - | (992,600) | (893,000) |
| Repayment of bonds payable | <u>-</u> | <u>(7,400)</u> | <u>-</u> |
| Balance of bonds payable as of the reporting date | <u>\$ -</u> | <u>-</u> | <u>106,748</u> |
| Conversion options included in equity components (recognized as capital surplus—stock options) | <u>\$ -</u> | <u>-</u> | <u>5,207</u> |
| Conversion options included in equity components (recognized as capital surplus—expired stock options) | <u>\$ 361</u> | <u>361</u> | <u>-</u> |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | For the three months ended March 31, | |
|-------------------|---|-------------|
| | 2023 | 2022 |
| Interest expenses | \$ - | 746 |

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 were repaid in cash at maturity with par value of \$7,400 according to the terms of conversion.
- (iii) For the three months ended March 31, 2022, the convertible bonds with a par value of \$221,500 were converted into ordinary shares of the Company with \$26,848 and the capital surplus were recognized with \$204,500 (including the stock options reclassified as additional paid-in capital – premium of \$10,780 and the unamortized discounts on bonds payable of \$932).
- (iv) The Group did not issue or repurchase bonds payable for the three months ended March 31, 2023 and 2022. Please refer to note (6)(n) of the 2022 annual consolidated financial statements for related information.
- (p) Lease liabilities

The carrying amounts of lease liabilities were as follows:

| | March 31, 2023 | December 31, 2022 | March 31, 2022 |
|-------------|---------------------------|------------------------------|---------------------------|
| Current | \$ 93,208 | 91,055 | 99,158 |
| Non-current | \$ 89,451 | 104,690 | 193,606 |

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

The amounts recognized in profit or loss were as follows:

| | For the three months ended March 31, | |
|--|---|-------------|
| | 2023 | 2022 |
| Interest expense on lease liabilities | \$ 1,945 | 5,198 |
| Expenses relating to short-term leases | \$ 5,131 | 8,649 |

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

| | For the three months ended March 31, | |
|-------------------------------|---|-------------|
| | 2023 | 2022 |
| Total cash outflow for leases | \$ 27,320 | 34,278 |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Land, buildings, office and vehicles leases

The Group leases buildings, office 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.

(q) 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 three months ended March 31, 2023 and 2022. Please refer to note (6)(p) of the 2022 annual consolidated financial statements for related information.

(r) 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, 2022 and 2021.

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

| | For the three months ended March 31, | |
|-----------------------------------|---|-------------------|
| | 2023 | 2022 |
| Operating costs | \$ 47 | 41 |
| Selling expenses | 58 | 46 |
| Administrative expenses | 84 | 84 |
| Research and development expenses | 252 | 183 |
| | <u>\$ 441</u> | <u>354</u> |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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 ended March 31, 2023 and 2022 were as follows:

| | For the three months ended March 31, | |
|-----------------------------------|---|---------------|
| | 2023 | 2022 |
| Operating costs | \$ 469 | 471 |
| Selling expenses | 1,070 | 1,127 |
| Administrative expenses | 1,824 | 1,761 |
| Research and development expenses | 10,066 | 9,555 |
| | \$ 13,429 | 12,914 |

Other subsidiaries recognized the pension expenses, basic endowment insurance expenses, and social welfare expenses amounting to \$14,479 and \$15,535 for the three months ended March 31, 2023 and 2022, respectively.

(s) Income taxes

(i) 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 March 31, | |
|----------------------------|---|-------------|
| | 2023 | 2022 |
| Current income tax expense | \$ 157,890 | 132,298 |

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

| | For the three months ended March 31, | |
|---|---|---------------|
| | 2023 | 2022 |
| Items that might be reclassified subsequently to profit or loss: | | |
| Gain on hedging instrument | \$ 4,137 | - |
| Exchange differences on translation of foreign financial statements | - | 15,660 |
| | \$ 4,137 | 15,660 |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Examination and approve

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 Acbel Telecom have been examined by the tax authorities. The relevant approved differences have been reflected as income tax adjustments in the year of determination.

The Group is closely monitoring the legislative progress related to the implementation of the international tax reforms introducing a global minimum top-up tax.

The International Accounting Standards Board issued amendments to IAS 12 that provide a temporary mandatory exemption from deferred tax accounting treatment for the top-up tax and require new disclosures in the annual financial statements. However, there was no impact on the consolidated financial statements for the three months ended March 31, 2023 until the approval and issuance date.

(t) Capital and other equities

Except for the following disclosures, there was no significant change for capital and other equities for the three months ended March 31, 2023 and 2022. Please refer to note (6)(s) of the 2022 annual consolidated financial statements for related information.

(i) Ordinary shares

In 2018, the Company issued its employee restricted shares amounting to \$45,000, wherein the amount of \$88, had been cancelled due to failure in meeting the vested requirements for the three months ended March 31, 2022. As of the reporting date, the registration procedures had been completed.

For the three months ended March 31, 2022, by the request of bonds holders, the convertible bonds issued by the Company were converted into ordinary shares of \$26,848 with 2,685 thousand new shares issued at par value. As of the reporting date, the registration procedures had been completed.

(ii) Capital surplus

| | March 31, 2023 | December 31, 2022 | March 31, 2022 |
|--|----------------------------|------------------------------|---------------------------|
| Additional paid-in capital—premium | \$ 3,861,264 | 4,081,618 | 3,930,110 |
| 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 | 7,120 | 6,052 | 1,627 |
| Issuance of convertible bonds | - | - | 5,207 |
| Expired stock options | 361 | 361 | - |
| Issuance of employee restricted shares | - | - | 69,787 |
| | <u>\$ 3,872,443</u> | <u>4,091,729</u> | <u>4,010,429</u> |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The capital surplus—premium resulted from the conversion of unsecured convertible bonds into ordinary shares for the three months ended March 31, 2022 was \$204,500 (including the stock options reclassified as additional-paid in capital—premium of \$10,780, and the unamortized discounts on bonds payable of \$932).

The Company's Board of Directors meeting held on March 14, 2023 and March 10, 2022, approved to distribute the cash dividend of \$220,354 (\$1 per share) and \$217,406 (\$0.98662985 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.

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 2022 and 2021 were approved by the Board of Directors meeting held on March 14, 2023 and on March 10, 2022, respectively. The relevant dividend distribution to shareholders were as follows:

| | <u>2022</u> | | <u>2021</u> | |
|---|---|-------------------------|---|-------------------------|
| | <u>Amount per share (dollars)</u> | <u>Total amount</u> | <u>Amount per share (dollars)</u> | <u>Total amount</u> |
| Cash dividends distributed to ordinary shareholders | \$ 5.5 | \$ <u>1,211,949</u> | 5.72240092 | <u>1,260,956</u> |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(u) Share-based payment

There were no significant changes in share-based payment for the three months ended March 31, 2023 and 2022. The Company's employee restricted shares have been fully vested in 2022. Please refer to note (6)(t) of the 2022 annual consolidated financial statements for related information.

(v) Earnings per share

The basic earnings per share and diluted earnings per share of the Group are calculated as follows.

| | For the three months ended March 31, | |
|---|---|----------------|
| | 2023 | 2022 |
| Basic earnings per share: | | |
| Net income attributable to ordinary shareholders of the Company | \$ <u>496,615</u> | <u>389,825</u> |
| Weighted-average number of ordinary shares (thousand shares) | <u>220,354</u> | <u>216,221</u> |
| | <u>\$ 2.25</u> | <u>1.80</u> |
| Diluted earnings per share: | | |
| Net income attributable to ordinary shareholders of the Company (diluted) | \$ <u>496,615</u> | <u>390,571</u> |
| Weighted-average number of ordinary shares (thousand shares) | 220,354 | 216,221 |
| Effect of dilutive potential ordinary shares: | | |
| Effect of remuneration to employees | 3,246 | 2,687 |
| Effect of employee restricted shares unvested | - | 1,212 |
| Effect of convertible bonds payable | - | 2,970 |
| Weighted-average number of ordinary shares (thousand shares)(after adjustment of potential diluted ordinary shares) | <u>223,600</u> | <u>223,090</u> |
| | <u>\$ 2.22</u> | <u>1.75</u> |

(w) Revenue from contracts with customers

(i) Details of revenue

| | For the three months ended March 31, | |
|-------------------------------|---|-------------------|
| | 2023 | 2022 |
| Primary geographical markets: | | |
| America | \$ 4,523,103 | 3,533,122 |
| Europe | 4,284,633 | 4,818,104 |
| Asia and others | <u>2,213,402</u> | <u>1,948,453</u> |
| | <u>\$ 11,021,138</u> | <u>10,299,679</u> |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | For the three months ended March 31, | |
|---------------------|---|-------------------|
| | 2023 | 2022 |
| Major products: | | |
| Smart Home Solution | \$ 3,788,551 | 4,929,346 |
| Broadband Solution | 3,668,745 | 2,679,628 |
| Mobility Solution | 3,329,328 | 2,266,256 |
| Others | 234,514 | 424,449 |
| | \$ 11,021,138 | 10,299,679 |

(ii) Contract balances

| | March 31, 2023 | December 31, 2022 | March 31, 2022 |
|--|---------------------------|------------------------------|---------------------------|
| Notes and accounts receivable | \$ 8,210,350 | 10,841,313 | 9,788,656 |
| Less: allowance for uncollectible accounts | (35,378) | (44,598) | (30,644) |
| Total | \$ 8,174,972 | 10,796,715 | 9,758,012 |

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

(x) Remuneration to employees and directors

Based on the Company's Articles of Incorporation, if there is any income 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, may include the employees serve in the subsidiaries of the Company who meet certain specific requirements.

For the three months ended March 31, 2023 and 2022, the Company accrued and recognized employee remuneration of \$82,122 and \$64,040, and director's remuneration of \$4,416 and \$3,602, respectively. The estimated amounts mentioned above are based on the income 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 were approved by the management of the Company. The estimations were recorded under operating costs or operating expenses for each period.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 \$327,896 and \$309,470, and directors' remuneration of \$17,635 and \$16,806 for the years ended December 31, 2022 and 2021, 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.

(y) 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)(x) of the 2022 annual consolidated financial statements for related information.

(i) Credit risk

For credit risk exposure of note and trade receivables, please refer to note (6)(e).

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

The movement of loss allowance provision for the three months ended March 31, 2023 and 2022 were as follows:

| | |
|----------------------------|---------------------------------|
| | <u>Other receivables</u> |
| Balance at January 1, 2023 | \$ 528 |
| Impairment loss reversed | <u>(26)</u> |
| Balance at March 31, 2023 | <u>\$ 502</u> |
| Balance at January 1, 2022 | \$ 3 |
| Impairment loss recognized | <u>436</u> |
| Balance at March 31, 2022 | <u>\$ 439</u> |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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> |
|--|----------------------------|-----------------------------------|--------------------------|--------------------|---------------------|
| March 31, 2023 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Unsecured bank loans (including short-term and long-term borrowings) | \$ 3,880,185 | (3,880,185) | (3,792,684) | (87,501) | - |
| Accounts payable (including related parties) | 12,871,988 | (12,871,988) | (12,871,988) | - | - |
| Other payables | 4,160,194 | (4,160,194) | (4,160,194) | - | - |
| Dividends payable | 1,432,333 | (1,432,333) | (1,432,333) | - | - |
| Lease liability— current and non-current | 182,659 | (190,190) | (98,713) | (85,969) | (5,508) |
| Deposits received | 34,311 | (34,311) | (34,311) | - | - |
| Derivative financial liabilities | | | | | |
| Other foreign exchange forward contracts: | 17,430 | | | | |
| Outflow | | (1,356,315) | (1,356,315) | - | - |
| Inflow | | 1,348,039 | 1,348,039 | - | - |
| Foreign exchange forward contracts used for hedging | 32,882 | | | | |
| Outflow | | (859,560) | (859,560) | - | - |
| Inflow | | 832,305 | 832,305 | - | - |
| | <u>\$ 22,611,982</u> | <u>(22,604,732)</u> | <u>(22,425,754)</u> | <u>(173,470)</u> | <u>(5,508)</u> |
| December 31, 2022 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Unsecured bank loans | \$ 4,386,582 | (4,386,582) | (4,386,582) | - | - |
| Accounts payable (including related parties) | 14,180,945 | (14,180,945) | (14,180,945) | - | - |
| Other payables | 4,807,007 | (4,807,007) | (4,807,007) | - | - |
| Lease liability— current and non-current | 195,745 | (204,828) | (86,754) | (82,618) | (35,456) |
| Deposits received | 34,607 | (34,607) | (34,607) | - | - |
| Derivative financial liabilities | | | | | |
| Other foreign exchange forward contracts: | 30,795 | | | | |
| Outflow | | (719,840) | (719,840) | - | - |
| Inflow | | 692,176 | 692,176 | - | - |
| Foreign exchange forward contracts used for hedging: | 47,809 | | | | |
| Outflow | | (2,126,800) | (2,126,800) | - | - |
| Inflow | | 2,090,285 | 2,090,285 | - | - |
| | <u>\$ 23,683,490</u> | <u>(23,678,148)</u> | <u>(23,560,074)</u> | <u>(82,618)</u> | <u>(35,456)</u> |

(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> |
|--|----------------------------|-----------------------------------|--------------------------|--------------------|---------------------|
| March 31, 2022 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Unsecured bank loans | \$ 4,879,832 | (4,879,832) | (4,879,832) | - | - |
| Accounts payable (including related parties) | 10,397,721 | (10,397,721) | (10,397,721) | - | - |
| Other payables | 3,580,140 | (3,580,140) | (3,580,140) | - | - |
| Dividends payable | 1,478,382 | (1,478,382) | (1,478,382) | - | - |
| Bonds payable | 106,748 | (107,000) | (107,000) | - | - |
| Lease liability—current and non-current | 292,764 | (309,787) | (108,550) | (95,281) | (105,956) |
| Deposits received | 32,218 | (32,218) | (32,218) | - | - |
| Derivative financial liabilities | | | | | |
| Other foreign exchange forward contracts: | 5,455 | | | | |
| Outflow | | (375,325) | (375,325) | - | - |
| Inflow | | 370,033 | 370,033 | - | - |
| Foreign exchange swaps contracts: | 45,730 | | | | |
| Outflow | | (2,856,000) | (2,856,000) | - | - |
| Inflow | | 2,814,500 | 2,814,500 | - | - |
| | <u>\$ 20,818,990</u> | <u>(20,831,872)</u> | <u>(20,630,635)</u> | <u>(95,281)</u> | <u>(105,956)</u> |

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

| | <u>March 31, 2023</u> | | | <u>December 31, 2022</u> | | | <u>March 31, 2022</u> | | |
|-----------------------|-----------------------------|--------------------------|------------|-----------------------------|--------------------------|------------|-----------------------------|--------------------------|------------|
| | <u>Foreign currency</u> | <u>Exchange rate</u> | <u>TWD</u> | <u>Foreign currency</u> | <u>Exchange rate</u> | <u>TWD</u> | <u>Foreign currency</u> | <u>Exchange rate</u> | <u>TWD</u> |
| Financial assets | | | | | | | | | |
| Monetary items | | | | | | | | | |
| USD | \$ 635,467 | USD/TWD =30.455 | 19,353,147 | 749,672 | USD/TWD =30.71 | 23,022,427 | 611,134 | USD/TWD =28.56 | 17,453,987 |
| EUR | 51,001 | EUR/TWD =33.06 | 1,686,093 | 56,037 | EUR/TWD =32.72 | 1,833,531 | 70,605 | EUR/TWD =31.79 | 2,244,533 |
| Financial liabilities | | | | | | | | | |
| USD | 742,394 | USD/TWD =30.455 | 22,609,609 | 883,557 | USD/TWD =30.71 | 27,134,035 | 637,695 | USD/TWD =28.56 | 18,212,569 |
| EUR | 7,959 | EUR/TWD =33.06 | 263,125 | 20,859 | EUR/TWD =32.72 | 682,506 | 28,121 | EUR/TWD =31.79 | 893,967 |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises mainly 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, accounts payable, long-term borrowings, and other payables 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 March 31, 2023 and 2022 would have affected the net income before tax as follows. The analysis is performed on the same basis for both periods.

| | <u>March 31,</u> <u>2023</u> | <u>March 31,</u> <u>2022</u> |
|-----------------------|---------------------------------|---------------------------------|
| USD (against the TWD) | | |
| Strengthening 5% | \$ (162,823) | (37,929) |
| Weakening 5% | 162,823 | 37,929 |
| EUR (against the TWD) | | |
| Strengthening 5% | 71,148 | 67,528 |
| Weakening 5% | (71,148) | (67,528) |

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 ended March 31, 2023 and 2022, the foreign exchange gain (including realized and unrealized portions) amounted to \$23,021 and \$48,706, respectively.

(iv) Interest rate analysis

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

| | <u>Carrying amount</u> | |
|-------------------------------------|---------------------------------|---------------------------------|
| | <u>March 31,</u> <u>2023</u> | <u>March 31,</u> <u>2022</u> |
| Fixed rate financial instrument: | | |
| Financial assets | \$ 5,155,249 | 4,102,231 |
| Financial liabilities | <u>(3,880,185)</u> | <u>(4,986,580)</u> |
| | <u>\$ 1,275,064</u> | <u>(884,349)</u> |
| Variable rate financial instrument: | | |
| Financial assets | <u>\$ 2,026,108</u> | <u>1,948,994</u> |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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% on the reporting date, assuming all other variables remaining constant, the net income before tax would have increased or decreased by \$1,266 and \$1,218 for the three months ended March 31, 2023 and 2022, 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 Group's financial assets and liabilities at fair value through profit or loss, financial instruments used for hedging are measured at fair value 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.

| | Carrying amount | March 31, 2023 | | | Total |
|---|-----------------|----------------|---------|---------|--------|
| | | Fair Value | | | |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets at fair value through profit or loss — current and non-current | | | | | |
| Derivative financial assets | \$ 3,206 | - | 3,206 | - | 3,206 |
| Non-derivative financial assets mandatorily measured at fair value through profit or loss | 46,569 | - | - | 46,569 | 46,569 |
| Subtotal | 49,775 | | | | |
| Financial assets for hedging | 5,759 | - | 5,759 | - | 5,759 |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | March 31, 2023 | | | | |
|---|----------------------|------------|---------|---------|---------|
| | Carrying amount | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets measured at fair value through other comprehensive income | | | | | |
| Stocks unlisted on domestic markets | 46,068 | - | - | 46,068 | 46,068 |
| Accounts receivable | <u>989,522</u> | - | 989,522 | - | 989,522 |
| Subtotal | <u>1,035,590</u> | | | | |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 7,185,048 | - | - | - | - |
| Notes and accounts receivable, net | 7,185,450 | - | - | - | - |
| Other receivables (including related parties) | 374,151 | - | - | - | - |
| Refundable deposits | <u>164,792</u> | - | - | - | - |
| Subtotal | <u>14,909,441</u> | | | | |
| Total | <u>\$ 16,000,565</u> | | | | |
| Financial liabilities at fair value through profit or loss | | | | | |
| Derivative financial liabilities | \$ <u>17,430</u> | - | 17,430 | - | 17,430 |
| Financial liabilities for hedging | <u>32,882</u> | - | 32,882 | - | 32,882 |
| Financial liabilities measured at amortized cost | | | | | |
| Short-term borrowings | 2,751,046 | - | - | - | - |
| Long-term borrowings (including current portion) | 1,129,139 | - | - | - | - |
| Accounts payable (including related parties) | 12,871,988 | - | - | - | - |
| Other payables | 4,160,194 | - | - | - | - |
| Dividends payable | 1,432,333 | - | - | - | - |
| Lease liabilities—current and non-current | 182,659 | - | - | - | - |
| Deposits received | <u>34,311</u> | - | - | - | - |
| Subtotal | <u>22,561,670</u> | | | | |
| Total | <u>\$ 22,611,982</u> | | | | |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | December 31, 2022 | | | | |
|---|----------------------|------------|---------|---------|--------|
| | 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 | \$ 187 | - | 187 | - | 187 |
| Non derivative financial assets mandatorily measured at fair value through profit or loss | <u>46,379</u> | - | - | 46,379 | 46,379 |
| Subtotal | <u>46,566</u> | | | | |
| Financial assets measured at fair value through other comprehensive income | | | | | |
| Stocks unlisted on domestic markets | <u>46,150</u> | - | - | 46,150 | 46,150 |
| Financial assets measured at amortized cost: | | | | | |
| Cash and cash equivalents | 7,579,551 | - | - | - | - |
| Notes and accounts receivable, net | 10,796,715 | - | - | - | - |
| Other receivables (including related parties) | 276,728 | - | - | - | - |
| Refundable deposits | <u>90,135</u> | - | - | - | - |
| Subtotal | <u>18,743,129</u> | | | | |
| Total | <u>\$ 18,835,845</u> | | | | |
| Financial liabilities measured at fair value through profit or loss | | | | | |
| Derivative financial liabilities | <u>\$ 30,795</u> | - | 30,795 | - | 30,795 |
| Financial liabilities for hedging | <u>47,809</u> | - | 47,809 | - | 47,809 |
| Financial liabilities measured at amortized cost | | | | | |
| Short-term borrowings | 4,386,582 | - | - | - | - |
| Accounts payable (including related parties) | 14,180,945 | - | - | - | - |
| Other payables | 4,807,007 | - | - | - | - |
| Lease liabilities—current and non-current | 195,745 | - | - | - | - |
| Deposits received | <u>34,607</u> | - | - | - | - |
| Subtotal | <u>23,604,886</u> | | | | |
| Total | <u>\$ 23,683,490</u> | | | | |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | March 31, 2022 | | | | |
|---|----------------------|------------|---------|---------|---------|
| | 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 | \$ 17,863 | - | 17,863 | - | 17,863 |
| Non-derivative financial assets mandatorily measured at fair value through profit or loss | <u>38,973</u> | - | - | 38,973 | 38,973 |
| Subtotal | <u>56,836</u> | | | | |
| Financial assets for hedging | <u>34,000</u> | - | 34,000 | - | 34,000 |
| Financial assets measured at fair value through other comprehensive income | | | | | |
| Stocks unlisted in domestic markets | 57,173 | - | - | 57,173 | 57,173 |
| Accounts receivable | <u>476,850</u> | - | 476,850 | - | 476,850 |
| Subtotal | <u>534,023</u> | | | | |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 6,054,415 | - | - | - | - |
| Notes and accounts receivable, net | 9,758,012 | - | - | - | - |
| Other receivables | 187,413 | - | - | - | - |
| Refundable deposits | <u>63,485</u> | - | - | - | - |
| Subtotal | <u>16,063,325</u> | | | | |
| Total | <u>\$ 16,688,184</u> | | | | |
| Financial liabilities at fair value through profit or loss | | | | | |
| Derivative financial liabilities | \$ <u>51,185</u> | - | 51,185 | - | 51,185 |
| Financial liabilities measured at amortized cost | | | | | |
| Short-term borrowings | 4,879,832 | - | - | - | - |
| Accounts payable (including related parties) | 10,397,721 | - | - | - | - |
| Other payables | 3,580,140 | - | - | - | - |
| Dividends payable | 1,478,382 | - | - | - | - |
| Bonds payable | 106,748 | - | - | - | - |
| Lease liabilities—current and non-current | 292,764 | - | - | - | - |
| Deposits received | <u>32,218</u> | - | - | - | - |
| Subtotal | <u>20,767,805</u> | | | | |
| Total | <u>\$ 20,818,990</u> | | | | |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Fair value 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) Fair value 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 three months ended March 31, 2023 and 2022.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

5) Reconciliation of Level 3 fair values

| | <u>Fair value through profit or loss</u> | <u>Fair value through other comprehensive income</u> |
|-----------------------------------|--|--|
| | Non-derivative financial assets mandatorily measured at fair value through profit or loss | Unquoted equity instruments |
| Balance at January 1, 2023 | \$ 46,379 | 46,150 |
| Total gains and losses recognized | | |
| In profit or loss | 190 | - |
| In other comprehensive income | <u>-</u> | <u>(82)</u> |
| Balance at March 31, 2023 | <u>\$ 46,569</u> | <u>46,068</u> |
| Balance at January 1, 2022 | \$ 37,475 | 26,169 |
| Total gains and losses recognized | | |
| In profit or loss | 1,498 | - |
| In other comprehensive income | <u>-</u> | <u>31,004</u> |
| Balance at March 31, 2022 | <u>\$ 38,973</u> | <u>57,173</u> |

For the three months ended March 31, 2023 and 2022, 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 March 31,</u> | |
|--|---|---------------|
| | <u>2023</u> | <u>2022</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>190</u> | <u>1,498</u> |
| 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>\$ (82)</u> | <u>31,004</u> |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 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 of the Group categorized within Level 3 have 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:

| <u>Item</u> | <u>Valuation technique</u> | <u>Significant unobservable inputs</u> | <u>Inter-relationship between significant unobservable inputs and fair value measurement</u> |
|---|----------------------------|--|---|
| Financial assets at fair value through other comprehensive income– equity investment without an active market | Comparable market approach | <ul style="list-style-type: none"> · Price-Book ratio multiples (1.42~3.60, 1.21~3.77 and 1.51~4.48 on March 31, 2023, December 31 and March 31, 2022, respectively) · Lack-of-Marketability discount rate (30% on March 31, 2023, December 31 and March 31, 2022) | <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. |
| Financial assets at fair value through profit or loss–investments in private equity fund | Net asset value method | <ul style="list-style-type: none"> · Net asset value | <ul style="list-style-type: none"> · Inapplicable |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 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 change | Unfavorable change |
| March 31, 2023 | | | | |
| Financial assets measured at fair value through other comprehensive income | Price-Book ratio multiples | 5% | \$ <u>2,317</u> | <u>2,344</u> |
| | Lack-of-Marketability discount rate | 5% | \$ <u>986</u> | <u>1,002</u> |
| December 31, 2022 | | | | |
| Financial assets measured at fair value through other comprehensive income | Price-Book ratio multiples | 5% | \$ <u>2,323</u> | <u>2,340</u> |
| | Lack-of-Marketability discount rate | 5% | \$ <u>986</u> | <u>990</u> |
| March 31, 2022 | | | | |
| Financial assets at fair value through other comprehensive income | Price-Book ratio multiples | 5% | \$ <u>2,879</u> | <u>2,890</u> |
| | Lack-of-Marketability discount rate | 5% | \$ <u>1,233</u> | <u>1,233</u> |

The favorable and unfavorable change represent the movement of the 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.

- 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.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

Unit: In thousand dollars of TWD and USD

| March 31, 2023 | | | |
|---|---|--|--|
| Financial assets/liabilities that are offset which have an exercisable master netting arrangement or similar agreement | | | |
| | Gross amounts of recognized financial assets/liabilities | Gross amounts of financial assets/liabilities offset in the balance sheet | Net amount of financial assets/liabilities presented in the balance sheet |
| | (a) | (b) | (c)=(a)-(b) |
| Cash/short-term borrowings | <u>\$ 6,471,352</u> | <u>6,471,352</u> | <u>-</u> |
| | <u>(USD 212,489)</u> | <u>(USD 212,489)</u> | |

| December 31, 2022 | | | |
|---|---|--|--|
| Financial assets/liabilities that are offset which have an exercisable master netting arrangement or similar agreement | | | |
| | Gross amounts of recognized financial assets/liabilities | Gross amounts of financial assets/liabilities offset in the balance sheet | Net amount of financial assets/liabilities presented in the balance sheet |
| | (a) | (b) | (c)=(a)-(b) |
| Cash/short-term borrowings | <u>\$ 8,525,741</u> | <u>8,525,741</u> | <u>-</u> |
| | <u>(USD 277,621)</u> | <u>(USD 277,621)</u> | |

| March 31, 2022 | | | |
|---|---|--|--|
| Financial assets/liabilities that are offset which have an exercisable master netting arrangement or similar agreement | | | |
| | Gross amounts of recognized financial assets/liabilities | Gross amounts of financial assets/liabilities offset in the balance sheet | Net amount of financial assets/liabilities presented in the balance sheet |
| | (a) | (b) | (c)=(a)-(b) |
| Cash/short-term borrowings | <u>\$ 6,928,542</u> | <u>6,928,542</u> | <u>-</u> |
| | <u>(USD 242,596)</u> | <u>(USD 242,596)</u> | |

(z) Financial risk management

There were no significant changes in the Group's objectives and policies of financial risk management as disclosed in note (6)(y) of the 2022 annual consolidated financial statements.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(aa) 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 consolidated financial statements for the year ended December 31, 2022. 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, 2022. Please refer to note (6)(z) of the 2022 annual consolidated financial statements for further details.

(ab) Investing and financing activities not affecting cash flow

The Group's investing and financing activities which did not affect the cash flow for the three months ended March 31, 2023 and 2022 were as follows:

- (i) The acquisition of right-of-use assets by lease, please see note (6)(j).
(ii) Convertible bonds issued, please see note (6)(o).

Reconciliation of liabilities arising from financing activities were as follows:

| | January 1, 2023 | Cash flows | Non-cash changes | |
|---|---------------------|------------------|------------------|-------------------|
| | | | Other | March 31, 2023 |
| Short-term borrowings | \$ 4,386,582 | (1,635,536) | - | 2,751,046 |
| Lease liabilities | 195,745 | (20,244) | 7,158 | 182,659 |
| Long-term borrowings | - | 1,129,139 | - | 1,129,139 |
| Deposits received | 34,607 | (252) | (44) | 34,311 |
| Total liabilities from financing activities | <u>\$ 4,616,934</u> | <u>(526,893)</u> | <u>7,114</u> | <u>4,097,155</u> |

| | January 1, 2022 | Cash flows | Non-cash changes | |
|---|---------------------|----------------|------------------|-------------------|
| | | | Other | March 31, 2022 |
| Short-term borrowings | \$ 4,363,580 | 516,252 | - | 4,879,832 |
| Lease liabilities | 283,729 | (20,431) | 29,466 | 292,764 |
| Bonds payable | 326,571 | - | (219,823) | 106,748 |
| Deposits received | 29,711 | 2,421 | 86 | 32,218 |
| Total liabilities from financing activities | <u>\$ 5,003,591</u> | <u>498,242</u> | <u>(190,271)</u> | <u>5,311,562</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 ordinary shares of the Company, and has released the consolidated financial statements available for public use.

(b) Name and relationship with related parties

The followings are entities that have had transactions with the Group 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:

| | For the three months ended | |
|-----------------------|-----------------------------------|----------------|
| | March 31, | |
| | <u>2023</u> | <u>2022</u> |
| Parent company | \$ (59,191) | 360,577 |
| Other related parties | <u>19,527</u> | <u>36,559</u> |
| | <u>\$ (39,664)</u> | <u>397,136</u> |

The pricing of purchase transactions with related parties were not significantly different from those offered by other vendors. The payment terms were net 60~120 days from the end of the month of delivery, which were similar to those offered 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 ended March 31, 2023 and 2022 were as follows:

| | For the three months ended March 31, | |
|-----------------------|---|-------------|
| | 2023 | 2022 |
| Other related parties | <u>\$ 271</u> | <u>310</u> |

(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. The lease contract had been early terminated on January 31, 2022, and recognized the lease modification benefit of \$174.

The Group leased machinery equipment 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 fully paid by the Group in 2020. In addition, the lease contract had been early terminated on January 31, 2022. The prepaid lease payment amounting to \$40,541 had been refunded by parent company. The Group has received the refund and recognized the lease modification benefit of \$1,351.

(iv) Property transaction

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

(v) Payables to related parties

The payables to related parties were as follows:

| <u>Account</u> | <u>Related party categories</u> | <u>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|------------------|-------------------------------------|---------------------------|------------------------------|---------------------------|
| Accounts payable | Parent company | \$ 1,049 | 1,451,984 | 364,983 |
| Accounts payable | Other related parties | <u>30,364</u> | <u>27,754</u> | <u>49,094</u> |
| | | <u>\$ 31,413</u> | <u>1,479,738</u> | <u>414,077</u> |

(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>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|-------------------|---------------------------------|-----------------------|--------------------------|-----------------------|
| Other receivables | Other related parties | \$ - | - | 19,458 |

(d) Transactions with key management personnel

Key management personnel remunerations comprised:

| | <u>For the three months ended March 31,</u> | |
|------------------------------|---|---------------|
| | <u>2023</u> | <u>2022</u> |
| Short-term employee benefits | \$ 30,159 | 22,225 |
| Post-employment benefits | 257 | 291 |
| Share-based payments | - | 844 |
| | \$ 30,416 | 23,360 |

Please refer to note (6)(u) for further explanations related to share-based payments.

(8) Pledged assets: None

(9) Commitments and contingencies:

- (i) As of March 31, 2023, December 31 and March 31, 2022, the Group has entered into agreements for the construction of its plants, amounted to \$457,054, \$779,873 and \$18,583, respectively, which have yet to be paid.
- (ii) In order to fulfill its contracts of technology licensing and sales agreement, the Group entrusted the banks to issue letters of guarantee at the amounts of \$207,456, \$146,065 and \$178,456, as of March 31, 2023, December 31 and March 31, 2022, respectively.

(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 item | By function | For the three months ended March 31, 2023 | | | For the three months ended March 31, 2022 | | |
|----------------------------|-------------|--|--------------------|---------|--|--------------------|---------|
| | | Cost of sales | Operating expenses | Total | Cost of sales | Operating expenses | Total |
| Employee benefits | | | | | | | |
| Salary | | 185,380 | 444,793 | 630,173 | 180,617 | 413,995 | 594,612 |
| Labor and health insurance | | 14,128 | 38,526 | 52,654 | 8,075 | 34,353 | 42,428 |
| Pension | | 11,681 | 16,668 | 28,349 | 12,566 | 16,237 | 28,803 |
| Others | | 105,978 | 15,080 | 121,058 | 152,706 | 18,779 | 171,485 |
| Depreciation | | 153,519 | 39,869 | 193,388 | 116,740 | 36,916 | 153,656 |
| Amortization | | 491 | 12,803 | 13,294 | 245 | 11,973 | 12,218 |

- (b) Seasonality of operations

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

(13) Other disclosure items:

- (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 three months ended March 31, 2023:

- (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 | 60,690 (USD2,000) | 60,910 (USD2,000) | 42,637 (USD1,400) | 5% | 2 | - | Operating demand | - | - | - | 2,573,570 | 5,147,141 | The transactions had been eliminated in the consolidated financial statements. |
| 0 | " | Arcadyan Technology (Vietnam) Co. Ltd. | " | Yes | 304,800 (USD10,000) | - | - | 1% | 1 | 14,557,490 (USD478,000) | - | - | - | - | 2,573,570 | 5,147,141 | " |
| 0 | " | Arcadyan Technology (Vietnam) Co. Ltd. | " | Yes | 304,550 (USD10,000) | 304,550 (USD10,000) | - | 5.5% | 1 | 19,430,290 (USD638,000) | - | - | - | - | 2,573,570 | 5,147,141 | " |
| 1 | Arcadyan Holding | CNC | " | Yes | 1,827,300 (USD60,000) | 1,827,300 (USD60,000) | - | 5.5% | 2 | - | Operating demand | - | - | - | 2,242,300 | 2,242,300 | " |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 the 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 \$30.455(USD) based on the reporting date.

(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) | 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 | 1,715,713 | 228,600 (USD7,500) | 228,413 (USD7,500) | - | - | 1.78 % | 5,147,141 | Y | N | N |

Note: 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 March 31, 2023 (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 security issuer | Account name | 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. | - | " | - | 46,569 | 7.49 % | 46,569 | |
| " | Chimei Motor Electronic Co Ltd. | - | Financial assets at fair value through other comprehensive income-non-current | 1,650 | 46,068 | 4.93 % | 46,068 | |
| " | Golden Smart home Technology Corp. | - | " | 1,229 | - | 5.08 % | - | |

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD300 million or 20% of the capital stock:

(In thousand dollars of TWD)

| Name of company | Category and name of security | Account name | Name of counter-party | Relationship with the company | Beginning Balance | | Purchases | | Sales | | | | Others | | Ending Balance | | |
|-----------------|-------------------------------|---|-----------------------|-------------------------------|-------------------|-----------|-----------|----------|--------|-------|------|-------------------------|--------|--------|------------------|--------|-----------|
| | | | | | Shares | Amount | Shares | Amount | Shares | Price | Cost | Gain (loss) on disposal | Shares | Amount | Shares | Amount | |
| The Company | Arcadyan Holding | Investments accounted for using equity method | New shares in cash | Subsidiary | 47,780 | 1,804,421 | (Note 1) | (Note 1) | - | - | - | - | - | - | 133,801 (Note 2) | 47,780 | 1,938,222 |

Note1: On March 14, 2023, the Board of Directors resolved to increase the cash capital of Arcadyan Holding at the amount of USD 60,000 thousand, which has yet to be remitted as of March 31, 2023.

Note2: Others include investment gains (losses) under equity method, exchange differentials on translation of foreign financial statements, etc.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (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 TWD

| 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 1,426,423 | 969,369 | 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 thousand. The total contract amount is expected to be \$1,426,423 (VND1,118,763 million).

- (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 | Counter 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) | (304,958) | (3)% | Net 150 days from delivery | - | - | 410,823 | 5 % | Note 3 |
| " | Arcadyan USA | " | (Sales) | (4,612,351) | (41)% | Net 120 days from delivery | - | - | 3,895,586 | 44 % | Note 3 |
| " | Arcadyan AU | " | (Sales) | (238,820) | (2)% | Net 60 days from the end of the month of delivery | - | - | 320,061 | 4 % | Note 3 |
| " | CNC | " | Purchases | 1,830,003 | 11 % | Net 120 days from delivery | According to cost plus pricing | - | (3,514,964) | (17)% | Note 1、3 |
| " | Arcadyan Vietnam | " | Purchases | 685,117 | 4 % | Net 180 days from the end of the month of delivery | " | - | Note 2 | - % | Note 1、3 |
| CNC | The Company | Parent company | (Sales) | (1,830,003) | (100)% | Net 120 days from delivery | According to cost plus pricing | - | 3,514,964 | 97 % | Note 1、3 |
| Arcadyan Vietnam | The Company | Parent company | (Sales) | (685,117) | (100)% | Net 180 days from the end of the month of delivery | " | - | Note 2 | - % | Note 1、3 |
| Arcadyan Germany | The Company | Parent company | Purchases | 304,958 | 100 % | Net 150 days from delivery | - | - | (410,823) | (100)% | Note 3 |
| Arcadyan USA | The Company | Parent company | Purchases | 4,612,351 | 100 % | Net 120 days from delivery | - | - | (3,895,586) | (100)% | Note 3 |
| Arcadyan AU | The Company | Parent company | Purchases | 238,820 | 100 % | Net 60 days from the end of the month of delivery | - | - | (320,061) | (100)% | Note 3 |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

Note 2: As of March 31, 2023, the other receivables were amounted to \$1,120,843.

Note 3: The transactions had been eliminated in 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 | 3,895,586 | 4.61 | - | | 1,591,636 | - |
| " | Arcadyan Vietnam | " | 1,120,843 (Note 2) | (Note 2) | - | | - | - |
| " | Arcadyan AU | " | 320,061 | 3.18 | - | | 165,700 | - |
| " | Arcadyan Germany | " | 410,823 | 2.42 | - | | 174,491 | - |
| CNC | The Company | Parent company | 3,514,964 (Note 1) | 2.24 | - | | - | - |
| TTI | TCH | Subsidiary of TTI | 266,619 (Note 2) | (Note 2) | - | | - | - |

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 April 27, 2023.

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

Unit: In thousands dollars of TWD

| 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 | 304,958 | There is no significant difference of price with general customers. The credit period is net 150 days from delivery. | 2.77 % |
| " | " | " | 1 | Accounts Receivable | 410,823 | " | 1.07 % |
| " | " | Arcadyan USA | 1 | Sales Revenue | 4,612,351 | There is no significant difference of price with general customers. The credit period is net 120 days from delivery. | 41.85 % |
| " | " | " | 1 | Accounts Receivable | 3,895,586 | " | 10.15 % |

(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 | |
| 0 | The Company | Arcadyan AU | 1 | Sales Revenue | 238,820 | 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. | 2.17 % |
| " | " | " | 1 | Accounts Receivable | 320,061 | " | 0.83 % |
| " | " | Arcadyan Vietnam | 1 | Other Receivable | 1,120,843 | The credit period is net 180 days from the end of the month of delivery and depended on funding demand. | 2.92 % |
| 1 | CNC | The Company | 2 | Processing Revenue | 1,830,003 | The price is based on the operating cost-plus. The credit period is net 120 days from delivery and depended on funding demand. | 16.60 % |
| " | " | " | 2 | Accounts Receivable | 3,514,964 | " | 9.16 % |
| 2 | Arcadyan Vietnam | The Company | 2 | Processing Revenue | 685,117 | The credit period is net 180 days from the end of the month of delivery and depended on funding demand. | 6.22 % |

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 three months ended March 31, 2023 (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 March 31, 2023 | | | Net Income (Losses) of the Investee | Share of Income (losses) of the investment | Note |
|-------------------------|------------------|------------------------|---|----------------------------|-------------------|------------------------------|-------------------------|----------------|-------------------------------------|--|------------|
| | | | | March 31, 2023 | December 31, 2022 | Shares (thousands) | Percentage of ownership | Carrying value | | | |
| The Company | Arcadyan Holding | British Virgin Islands | Investment activities | 1,701,027 | 1,701,027 | 47,780 | 100% | 1,938,222 | 150,614 | 150,614 | Note 2 - 4 |
| The Company | Arcadyan USA | USA | Selling and technical support of wireless networking products | 23,055 | 23,055 | 1 | 100% | (42,495) | 5,159 | 5,159 | " |
| The Company | Arcadyan Germany | Germany | Selling and technical support of wireless networking products | 1,125 | 1,125 | 0.5 | 100% | 90,146 | 1,400 | 1,400 | " |
| The Company | Arcadyan Korea | Korea | Selling of wireless networking products | 2,879 | 2,879 | 20 | 100% | 22,568 | (764) | (764) | " |
| The Company and ZHI-BAO | Arcadyan Brasil | Brazil | Selling of wireless networking products | 81,593 | 81,593 | 968 | 100% | (41,844) | (131) | (131) | " |
| The Company | ZHI-BAO | Hsinchu City | Investment activities | 48,000 | 48,000 | 34,980 | 100% | 393,679 | (12,882) | (12,882) | " |
| The Company | TTI | Taipei City | Research and development, and selling digital home appliance | 308,726 | 308,726 | 25,028 | 61% | 205,161 | (1,477) | (902) | " |

(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 March 31, 2023 | | | Net Income (Losses) of the Investee | Share of Income (losses) of the investment | Note |
|-------------------------|------------------|------------------------|---|----------------------------|------------------------|------------------------------|-------------------------|--------------------------|-------------------------------------|--|------------|
| | | | | March 31, 2023 | December 31, 2022 | Shares (thousands) | Percentage of ownership | Carrying value | | | |
| The Company | Arcadyan UK | England | Technical support of wireless networking products | 1,988 | 1,988 | 50 | 100% | 4,972 | 141 | 141 | Note 2 - 4 |
| The Company | Arcadyan AU | Australia | Selling of wireless networking products | 1,161 | 1,161 | 50 | 100% | 67,740 | 3,574 | 3,574 | " |
| The Company | Arcadyan RU | Russia | Selling of wireless networking products | 7,672 | 7,672 | - | 100% | 4,374 | (368) | (368) | " |
| The Company | CBN | Hsinchu County | Manufacturing and selling of broadband network products | 11,925 | 11,925 | 533 | 1% | 11,138 | (68,337) | (536) | Note 3 |
| The Company and ZHI-BAO | Arcadyan India | India | Selling of wireless networking products | 29,110 | 29,110 | 7,500 | 100% | 38,376 | 15,873 | 15,873 | Note 2 - 4 |
| Arcadyan Holding | Sinoprime | British Virgin Islands | Investment activities | 884,718 (USD29,050) | 884,718 (USD29,050) | 29,050 | 100% | 1,351,684 (USD44,383) | 138,388 (USD4,553) | Investment gain(losses) recognized by Arcadyan Holding | " |
| " | Arch Holding | British Virgin Islands | Investment activities | 335,340 (USD11,011) | 335,340 (USD11,011) | 35 | 100% | 831,208 (USD27,293) | 10,425 (USD343) | " | " |
| Sinoprime | Arcadyan Vietnam | Vietnam | Manufacturing of wireless networking products | 883,195 (USD29,000) | 883,195 (USD29,000) | - | 100% | 1,347,177 (USD44,235) | 138,388 (USD4,553) | Investment gain(losses) recognized by Sinoprime | " |
| TTI | Quest | Samoa | Investment activities | 36,546 (USD1,200) | 36,546 (USD1,200) | 1,200 | 100% | (231,338) | 1,920 | Investment gain(losses) recognized by TTI | " |
| TTI | TTJC | Japan | Selling digital home appliance | 9,626 | 9,626 | 0.7 | 100% | 3,197 | (66) | " | " |
| Quest | Exquisite | Samoa | Investment activities | 35,632 (USD1,170) | 35,632 (USD1,170) | 1,170 | 100% | (232,158) (USD7,623) | 1,915 (USD63) | Investment gain(losses) recognized by Quest | " |
| ZHI-BAO | CBN | Hsinchu County | Manufacturing and selling of broadband network products | 36,272 | 36,272 | 13,140 | 19.42% | 274,472 | (68,337) | Investment gain(losses) recognized by ZHI-BAO | Note 3 |

Note 1: The amounts in New Taiwan Dollars were translated at the exchange rate of \$US30.395 based on the average exchange rate for net income (losses) of the investees, others were translated at the exchange rate of US\$30.455 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.

(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, 2023 | Investment flows | | Accumulated outflow of investment from Taiwan as of March 31, 2023 | Net income (losses) of the investee | Percentage of ownership | Investment income (losses) | Book value | Accumulated remittance of earnings in current period | Note |
|------------------|---|---------------------------------|----------------------|---|------------------|--------|--|-------------------------------------|-------------------------|----------------------------|-------------------------|--|--------|
| | | | | | Outflow | Inflow | | | | | | | |
| SVA | Research and sale of wireless networking products | 246,686 (USD8,100) | Note 1 | (Note 4) 408,706 (USD13,420) | - | - | 408,706 (USD13,420) | 1,550 (USD51) | 100% | 1,550 (USD51) | 36,729 (USD206) | - | Note 3 |
| CNC | Manufacturing of wireless networking products | 379,165 (USD12,450) | " | (Note 5) 335,340 (USD11,011) | - | - | 335,340 (USD11,011) | 10,425 (USD343) | 100% | 10,425 (USD343) | 831,208 (USD27,293) | - | " |
| TCH | Manufacturing of digital home appliance products | 102,024 (USD3,350) | Notes 1 and 6 | 35,023 (USD1,150) | - | - | 35,023 (USD1,150) | 1,915 (USD63) | 100% | 1,915 (USD63) | (232,676) (USD7,640) | - | " |

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 \$US30.395 based on the average exchange rate for net income (losses) of the investees, others were translated at the exchange rate of US\$30.455 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 Accton 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 March 31, 2023 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment in Mainland China by Investment Commission, MOEA |
|---|--|---|
| 779,069 (USD25,581) | 779,069 (USD25,581) | 7,720,712 |

Note : The amounts in TWD were translated at the exchange rate of \$30.455 on March 31, 2023.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China for the three months ended March 31, 2023, 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 Owned | Ownership Percentage |
|--------------------------|--------------|--------------|----------------------|
| Compal Electronics, Inc. | | 41,304,504 | 18.74 % |

(14) Segment information:

The Group 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 balance sheets and the consolidated statement of comprehensive income for the segment profit or loss.