

**ARCADYAN TECHNOLOGY CORPORATION AND
SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2023 and 2022**

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The independent auditors' 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.

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Independent Auditors' Review Report

To the Board of Directors of Arcadyan Technology Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheets of Arcadyan Technology Corporation and its subsidiaries as of September 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2023 and 2022, as well as the changes in equity and cash flows for the nine months ended September 30, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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 \$1,367,962 thousand and \$914,419 thousand, constituting 4% and 2% of consolidated total assets as of September 30, 2023 and 2022, respectively, total liabilities amounting to \$823,522 thousand and \$378,207 thousand, constituting 3% and 1% of consolidated total liabilities as of September 30, 2023 and 2022, respectively, and total comprehensive income amounting to \$(15,383) thousand, \$(14,320) thousand, \$18,341 thousand and \$(16,724) thousand, constituting (2)%, (2)%, 1% and (1)% of consolidated total comprehensive income for the three months and nine months ended September 30, 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 September 30, 2023 and 2022, and of its consolidated financial performance for the three months and nine months ended September 30, 2023 and 2022, as well as its consolidated cash flows for the nine months ended September 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)
November 1, 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)
ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income

For the three months and nine months ended September 30, 2023 and 2022

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

	For the three months ended September 30,				For the nine months ended September 30,				
	2023		2022		2023		2022		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenues (notes (6)(d) and (w)):								
	\$ 13,871,509	100	12,783,703	100	37,030,901	100	33,971,579	100	
5000	Operating costs (notes (6)(f), (r), (7) and (12))								
	11,871,003	86	10,984,459	86	31,737,895	86	29,254,328	86	
	Gross profit from operating								
	2,000,506	14	1,799,244	14	5,293,006	14	4,717,251	14	
	Operating expenses (notes (6)(r), (7) and (12)):								
6100	Selling expenses	195,363	1	437,478	3	530,593	1	975,140	3
6200	Administrative expenses	171,940	1	148,115	1	448,082	1	395,875	1
6300	Research and development expenses	806,687	6	620,561	5	2,106,710	6	1,769,347	5
	Total operating expenses	1,173,990	8	1,206,154	9	3,085,385	8	3,140,362	9
	Net operating income	826,516	6	593,090	5	2,207,621	6	1,576,889	5
	Non-operating income and expenses:								
7100	Interest income	33,362	-	22,909	-	105,863	-	53,884	-
7020	Other gains or losses	25,727	-	4,129	-	36,985	-	7,705	-
7225	Gains on disposal of investments	-	-	2,568	-	-	-	2,568	-
7230	Foreign exchange gains, net (note (6)(y))	83,368	-	138,745	1	217,032	1	224,495	-
7635	Loss on financial assets (liabilities) at fair value through profit or loss (notes (6)(b) and (d))	(26,840)	-	(25,547)	-	(77,277)	-	(51,448)	-
7770	Share of loss of associates and joint ventures accounted for using equity method (note (6)(g))	(10,689)	-	2,256	-	(44,183)	-	662	-
7510	Interest expense (notes (6)(o) and (p))	(11,423)	-	(25,159)	-	(118,542)	-	(60,269)	-
	Total non-operating income and expenses	93,505	-	119,901	1	119,878	1	177,597	-
	Income before tax	920,021	6	712,991	6	2,327,499	7	1,754,486	5
7950	Less: Income tax expenses (note (6)(s))	249,009	1	178,619	2	591,053	2	451,100	1
	Net income	671,012	5	534,372	4	1,736,446	5	1,303,386	4
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))	(4,141)	-	(4,966)	-	(9,322)	-	27,407	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(s))	-	-	-	-	-	-	-	-
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	(4,141)	-	(4,966)	-	(9,322)	-	27,407	-
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements	51,197	-	218,049	2	107,688	-	399,754	1
8368	Gains on hedging instrument (note (6)(d))	14,942	-	(50,945)	-	57,368	-	5,646	-
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))	(1)	-	(25)	-	66	-	(32)	-
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note (6)(s))	2,989	-	(10,189)	-	11,474	-	1,129	-
	Components of other comprehensive income that will be reclassified to profit or loss	63,149	-	177,268	2	153,648	-	404,239	1
8300	Other comprehensive income	59,008	-	172,302	2	144,326	-	431,646	1
	Total comprehensive income	\$ 730,020	5	706,674	6	1,880,772	5	1,735,032	5
	Net income, attributable to:								
	Owners of parent	\$ 687,735	5	570,668	4	1,759,734	5	1,387,894	4
8620	Non-controlling interests	(16,723)	-	(36,296)	-	(23,288)	-	(84,508)	-
		\$ 671,012	5	534,372	4	1,736,446	5	1,303,386	4
	Comprehensive income attributable to:								
	Owners of parent	\$ 753,003	5	748,398	6	1,907,833	5	1,828,936	5
	Non-controlling interests	(22,983)	-	(41,724)	-	(27,061)	-	(93,904)	-
		\$ 730,020	5	706,674	6	1,880,772	5	1,735,032	5
	Earnings per share (note (6)(v))								
9750	Basic earnings per share	\$ 3.12		2.60		7.98		6.36	
9850	Diluted earnings per share	\$ 3.10		2.56		7.89		6.21	

See accompanying notes to consolidated financial statements.

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

Consolidated Statement of Changes in Equity
For the nine months ended September 30, 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	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 to owners of parent		
			Legal reserve	Special reserve	Unappropriated retained earnings									
Balance at January 1, 2022	\$ 2,164,926	4,032,400	1,152,791	196,919	5,389,173	6,738,883	(243,747)	(23,331)	-	(13,030)	(280,108)	12,656,101	267,012	12,923,113
Net income for the nine months ended September 30, 2022	-	-	-	-	1,387,894	1,387,894	-	-	-	-	-	1,387,894	(84,508)	1,303,386
Other comprehensive income for the nine months ended September 30, 2022	-	-	-	-	-	-	409,118	27,407	4,517	-	441,042	441,042	(9,396)	431,646
Comprehensive income for the nine months ended September 30, 2022	-	-	-	-	1,387,894	1,387,894	409,118	27,407	4,517	-	441,042	1,828,936	(93,904)	1,735,032
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	177,876	-	(177,876)	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	70,159	(70,159)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,260,956)	(1,260,956)	-	-	-	-	-	(1,260,956)	-	(1,260,956)
Cash dividends from capital surplus	-	(217,406)	-	-	-	-	-	-	-	-	-	(217,406)	-	(217,406)
Convertible bonds converted into ordinary shares	38,920	281,014	-	-	-	-	-	-	-	-	-	319,934	-	319,934
Changes in equity of associates and subsidiaries accounted for using equity method	-	4,135	-	-	-	-	-	-	-	-	-	4,135	-	4,135
Share-based payment transactions	(303)	(10,331)	-	-	-	-	-	-	-	13,030	13,030	2,396	-	2,396
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(32,906)	(32,906)
Balance at September 30, 2022	\$ 2,203,543	4,089,812	1,330,667	267,078	5,268,076	6,865,821	165,371	4,076	4,517	-	173,964	13,333,140	140,202	13,473,342
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 nine months ended September 30, 2023	-	-	-	-	1,759,734	1,759,734	-	-	-	-	-	1,759,734	(23,288)	1,736,446
Other comprehensive income for the nine months ended September 30, 2023	-	-	-	-	-	-	111,527	(9,322)	45,894	-	148,099	148,099	(3,773)	144,326
Comprehensive income for the nine months ended September 30, 2023	-	-	-	-	1,759,734	1,759,734	111,527	(9,322)	45,894	-	148,099	1,907,833	(27,061)	1,880,772
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	203,625	-	(203,625)	-	-	-	-	-	-	-	-	-
Special reserve reversed	-	-	-	(264,865)	264,865	-	-	-	-	-	-	-	-	-
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	-	804	-	-	-	-	-	-	-	-	-	804	-	804
Balance at September 30, 2023	\$ 2,203,543	3,872,179	1,534,292	2,213	6,525,461	8,061,966	150,911	(12,672)	7,647	-	145,886	14,283,574	104,960	14,388,534

See accompanying notes to consolidated financial statements.

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

Consolidated Statement of Cash Flows
For the nine months ended September 30, 2023 and 2022
(Expressed in thousand dollars of TWD)

	For the nine months ended September 30,	
	2023	2022
Cash flows from (used in) operating activities:		
Income before tax	\$ 2,327,499	1,754,486
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	585,623	495,129
Amortization expense	40,650	35,888
Expected credit losses	519	25,630
Interest expense	118,542	60,269
Interest income	(105,863)	(53,884)
Net gains on financial assets or liabilities at fair value through profit or loss	(17,294)	(14,831)
Share-based payment transactions	-	2,396
Share of loss (gain) of associates and joint ventures accounted for using equity method	44,183	(662)
(Gains) losses on disposal of property, plant, equipment and intangible assets	(7,469)	7,683
Lease modification benefits	(167)	(3,045)
Others	1,645	395
Total adjustments to reconcile profit (loss)	<u>660,369</u>	<u>554,968</u>
Changes in operating assets and liabilities:		
Changes in financial assets or liabilities at fair value through profit or loss	(39,049)	20,894
Decrease (increase) in notes and accounts receivable	2,583,106	(4,208,788)
Increase in other receivables	(413,496)	(119,194)
Decrease (increase) in inventories	175,387	(1,905,361)
Decrease (increase) in prepayments	45,623	(31,792)
Increase in other current assets	(14,266)	(38,539)
Increase in accounts payable (including related parties)	3,405	5,442,708
Increase in other payables and other current liabilities	1,249,593	887,821
Decrease in other operating liabilities	(1,657)	(1,949)
Total changes in operating assets and liabilities	<u>3,588,646</u>	<u>45,800</u>
Total adjustments	<u>4,249,015</u>	<u>600,768</u>
Cash inflow generated from operations	6,576,514	2,355,254
Interest received	114,980	56,478
Dividends received	6,836	13,673
Interest paid	(138,827)	(53,259)
Income taxes paid	(729,124)	(410,893)
Net cash flows from operating activities	<u>5,830,379</u>	<u>1,961,253</u>
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(1,058,310)	(938,772)
Proceeds from disposal of property, plant and equipment	16,919	44,612
Proceeds from disposal of right-of-use assets	-	40,541
(Increase) decrease in refundable deposits	(13,252)	38,365
Acquisition of intangible assets	(20,455)	(14,181)
Decrease in other non-current assets	95	-
Net cash flows used in investing activities	<u>(1,075,003)</u>	<u>(829,435)</u>
Cash flows from (used in) financing activities:		
Decrease in short-term borrowings	(4,048,709)	(552,362)
Repayments of bonds	-	(7,400)
Increase in long-term borrowings	1,297,782	-
Repayments of long-term borrowings	(618,562)	-
Repayments of lease principal	(67,962)	(65,253)
Cash dividends paid	(1,432,299)	(1,478,345)
Changes in non-controlling interests	-	(32,906)
Other financing activities	1,572	5,580
Net cash flows used in financing activities	<u>(4,868,178)</u>	<u>(2,130,686)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(57,563)</u>	<u>90,860</u>
Net decrease in cash and cash equivalents	<u>(170,365)</u>	<u>(908,008)</u>
Cash and cash equivalents at beginning of period	<u>7,579,551</u>	<u>7,970,779</u>
Cash and cash equivalents at end of period	<u>\$ 7,409,186</u>	<u>7,062,771</u>

See accompanying notes to consolidated financial statements.

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

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

September 30, 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 September 30, 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 November 1, 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”

In addition, the Group has adopted Amendments to IAS 12 “International Tax Reform – Pillar Two Model Rules” on May 23, 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which applies retrospectively, and require new disclosures about the Pillar Two exposure for annual reporting periods beginning on or after January 1, 2023. However, because on December 31, 2022, no new legislation to implement the top-up tax was enacted or substantively enacted in any jurisdiction in which the Group operates and no related deferred taxes were recognised at that date, the retrospective application has no impact on the Group’s condensed interim financial statements. The Group is closely monitoring developments related to the implementation of the international tax reforms introducing a global minimum top-up tax, and expects to disclose the mandatory relief and the new disclosures in the Group’s consolidated financial statements for the year ended December 31, 2023.

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS21 “Lack of Exchangeability”

(4) Summary of material 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 material 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.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

Investor	Name of Subsidiary	Nature of operation	Percentage ownership			Description
			September 30, 2023	December 31, 2022	September 30, 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. ("Arcadyan Brasil")	Selling of wireless networking products	100 %	100 %	100 %	Note 1
"	Arcadyan India Private Limited ("Arcadyan India")	Selling of wireless networking products	100 %	100 %	100 %	Note 1
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	- %	- %	- %	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 %	

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Name of Subsidiary	Nature of operation	Percentage ownership			Description
			September 30, 2023	December 31, 2022	September 30, 2022	
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".

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.

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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

	September 30, 2023	December 31, 2022	September 30, 2022
Cash on hand	\$ 3,097	2,738	3,012
Checking accounts and demand deposits	3,420,365	2,522,308	2,867,780
Time deposits	2,985,724	3,804,505	3,991,979
Repurchase agreements	<u>1,000,000</u>	<u>1,250,000</u>	<u>200,000</u>
	<u>\$ 7,409,186</u>	<u>7,579,551</u>	<u>7,062,771</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.

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

	September 30, 2023	December 31, 2022	September 30, 2022
Current financial assets mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging:			
Foreign exchange forward contracts	\$ 18,180	187	37,281
Foreign exchange swaps contracts	<u>-</u>	<u>-</u>	<u>932</u>
Total	<u>\$ 18,180</u>	<u>187</u>	<u>38,213</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>\$ 63,673</u>	<u>46,379</u>	<u>52,306</u>
Held-for-trading financial liabilities:			
Derivative instruments not used for hedging:			
Foreign exchange forward contracts	\$ -	30,795	9
Foreign exchange swaps contracts	<u>9,739</u>	<u>-</u>	<u>40,974</u>
Total	<u>\$ 9,739</u>	<u>30,795</u>	<u>40,983</u>

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 September 30, 2023, December 31 and September 30, 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:

	September 30, 2023		
	Contract amount (in thousands)	Currency	Maturity date
Derivative financial assets:			
Forward contracts:			
Foreign exchange forward	EUR 10,000	Sell EUR / USD	October 13, 2023~ November 14, 2023
Foreign exchange forward	USD 1,000	Buy USD / BRL	November 10, 2023
Foreign exchange forward	USD 4,943	Buy USD / INR	October 13, 2023~ October 30, 2023
Derivative financial liabilities:			
Swap contracts:			
Foreign exchange swaps	USD 30,000	B/S USD / TWD	October 30, 2023~ November 29, 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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	September 30, 2022		
	Contract amount (in thousands)	Currency	Maturity date
Derivative financial assets:			
Forward contracts:			
Foreign exchange forward	EUR 17,000	Sell EUR / USD	October 14, 2022~ December 29, 2022
Foreign exchange forward	USD 1,212	Buy USD / INR	October 28, 2022~ November 14, 2022
Swap contracts:			
Foreign exchange swaps	USD 10,000	B/S USD / TWD	October 28, 2022
Derivative financial liabilities:			
Forward contracts:			
Foreign exchange forward	USD 878	Buy USD / INR	November 14, 2022
Swap contracts:			
Foreign exchange swaps	USD 30,000	B/S USD / TWD	October 14, 2022

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

As of September 30, 2023, December 31 and September 30, 2022, the Group did not provide any aforementioned financial assets as collaterals.

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

	September 30, 2023	December 31, 2022	September 30, 2022
Equity investments at fair value through other comprehensive income:			
Stock unlisted on domestic markets	\$ 36,828	46,150	53,576

- (i) For the three months and nine months ended September 30, 2023 and 2022, unrealized (losses) gains from above-mentioned equity investments measured at fair value were \$(4,141), \$(4,966), \$(9,322) and \$27,407, respectively, recognized under other comprehensive income.
- (ii) There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments for the nine months ended September 30, 2023 and 2022.
- (iii) Please refer to note (6)(y) for the information of market risk.
- (iv) The Group did not provide any aforementioned financial assets as collaterals.

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Financial assets and liabilities used for hedging

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

	September 30, 2023	December 31, 2022	September 30, 2022
Cash flow hedge:			
Financial assets used for hedging:			
Foreign exchange forward contracts	\$ <u>9,829</u>	<u>-</u>	<u>5,646</u>
Financial liabilities used for hedging:			
Foreign exchange forward contracts	\$ <u>270</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.

As of September 30, 2023, December 31 and September 30, 2022, the amounts relating to the items designated as hedging instruments were as follows:

		September 30, 2023			
		Contract amount (in thousands)	Currency	Maturity date	Average strike price
Derivative financial assets used for hedging					
Forward contracts:					
Foreign exchange forward	EUR	8,000	Sell EUR / USD	October 30, 2023~ December 28, 2023	1.0925
Derivative financial liabilities used for hedging					
Forward contracts:					
Foreign exchange forward	EUR	1,000	Sell EUR / USD	October 30, 2023	1.0437
		December 31, 2022			
		Contract amount (in thousands)	Currency	Maturity date	Average strike price
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
		September 30, 2022			
		Contract amount (in thousands)	Currency	Maturity date	Average strike price
Derivative financial assets used for hedging					
Forward contracts:					
Foreign exchange forward	EUR	5,000	Sell EUR / USD	June 29, 2023~ October 30, 2023	1.0406

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

For the three months and nine months ended September 30, 2023 and 2022, the details of adjustments on reclassification from components of other comprehensive income were as follows:

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Cash flow hedge:				
Profit in current period	\$ 12,214	38,759	14,102	136,308
Less: Gains (losses) of adjustments on reclassification from components of other comprehensive income which belongs to net income	(2,728)	89,704	(43,266)	130,662
Net gains (losses) recognized in other comprehensive income	<u>\$ 14,942</u>	<u>(50,945)</u>	<u>57,368</u>	<u>5,646</u>

(iv) For the three months and nine months ended September 30, 2023 and 2022, the ineffective portions of cash flow hedge in profit or loss at fair value amounted to \$944, \$12,356, \$944 and \$44,071, respectively, recognized as “gains (losses) on financial assets (liabilities) at fair value through profit or loss”.

(v) For the three months and nine months ended September 30, 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

	September 30,	December 31,	September 30,
	2023	2022	2022
Notes receivable from operating activities	\$ -	4,992	16,670
Accounts receivable – measured at amortized cost	6,301,712	10,836,321	11,912,566
Accounts receivable – fair value through other comprehensive income	1,956,495	-	-
	8,258,207	10,841,313	11,929,236
Less: allowance for uncollectible accounts	(38,705)	(44,598)	(53,606)
	<u>\$ 8,219,502</u>	<u>10,796,715</u>	<u>11,875,630</u>

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 September 30, 2023, December 31 and September 30, 2022 were determined as follows:

September 30, 2023				
Credit rating	Gross carrying amount	Weighted-average ECL rate	Lifetime ECLs	Credit impaired
Level A	\$ 2,898,051	0%	-	No
Level B	3,966,913	0.10%	4,021	No
Level C	1,372,204	1.00%	13,645	No
Level D	-	-	-	-
Level E	<u>21,039</u>	100%	<u>21,039</u>	Yes
Total	<u>\$ 8,258,207</u>		<u>38,705</u>	
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>\$ 10,841,313</u>		<u>44,598</u>	
September 30, 2022				
Credit rating	Gross carrying amount	Weighted-average ECL rate	Lifetime ECLs	Credit impaired
Level A	\$ 2,980,536	0%	-	No
Level B	6,291,874	0.10%	6,372	No
Level C	2,636,060	1.00%	26,468	No
Level D	-	-	-	-
Level E	<u>20,766</u>	100%	<u>20,766</u>	Yes
Total	<u>\$ 11,929,236</u>		<u>53,606</u>	

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	September 30, 2023	December 31, 2022	September 30, 2022
Overdue 1~30 days	\$ 633,277	1,071,407	496,809
Overdue 31~60 days	210,015	163,112	241,741
Overdue 61~90 days	47,205	129,856	2,911
Overdue 91~180 days	9,358	71,332	-
Overdue over 181 days	64,568	28,574	29,635
	<u><u>\$ 964,423</u></u>	<u><u>1,464,281</u></u>	<u><u>771,096</u></u>

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

	For the nine months ended September 30,	
	2023	2022
Balance at January 1	\$ 44,598	28,152
Impairment loss (reversed) recognized	(5,893)	25,454
Balance at September 30	<u><u>\$ 38,705</u></u>	<u><u>53,606</u></u>

As of September 30, 2023, December 31 and September 30, 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.

As of September 30, 2023, December 31 and September 30, 2022, the Group has not transferred accounts receivable.

(f) Inventories

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

	September 30, 2023	December 31, 2022	September 30, 2022
Raw materials	\$ 5,023,919	2,693,315	5,923,172
Work in progress	1,014,201	456,966	1,204,227
Finished goods	8,350,051	11,413,277	7,274,381
	<u><u>\$ 14,388,171</u></u>	<u><u>14,563,558</u></u>	<u><u>14,401,780</u></u>

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (ii) Inventory cost recognized as operating costs for the three months and nine months ended September 30, 2023 and 2022 were as follows:

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Cost of sales and expenses	\$ 11,411,281	10,799,809	31,362,957	28,841,712
Provision for inventory valuation and obsolescence loss	459,722	184,650	374,938	412,616
	\$ 11,871,003	10,984,459	31,737,895	29,254,328

- (iii) As of September 30, 2023, December 31 and September 30, 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:

	September 30,	December 31,	September 30,
	2023	2022	2022
Associates	\$ <u>254,952</u>	<u>305,101</u>	<u>315,270</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:

	September 30,	December 31,	September 30,
	2023	2022	2022
Aggregate carrying amount of the Group's associates that are individually insignificant	\$ <u>254,952</u>	<u>305,101</u>	<u>315,270</u>

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Share of associates attributed to the Group were as follows:				
Net income (loss) from continuing operations	\$ (10,689)	2,256	(44,183)	662
Other comprehensive income (loss)	(1)	(25)	66	(32)
Total comprehensive income (loss)	\$ (10,690)	2,231	(44,117)	630

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) As of September 30, 2023, December 31 and September 30, 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 nine months ended September 30, 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.

(i) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group for the nine months ended September 30, 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 or deemed 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	-	16,026	47,602	63,419	35,131	22,739	868,455	1,053,372
Reclassifications	-	1,315,110	40,630	3,338	-	59,105	(1,426,236)	(8,053)
Disposals and derecognitions	-	-	(97,690)	(9,402)	(119,137)	(5,317)	-	(231,546)
Effect of movements in exchange rates	-	97,506	93,150	-	(330)	10,580	8,576	209,482
Balance at September 30, 2023	<u>\$ 878,978</u>	<u>3,039,192</u>	<u>3,423,349</u>	<u>774,120</u>	<u>159,099</u>	<u>583,471</u>	<u>147,608</u>	<u>9,005,817</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	-	6,204	660,008	36,406	11,407	31,245	201,037	946,307
Reclassifications	-	16,221	13,857	-	-	7,245	(37,383)	(60)
Disposals and derecognitions	-	-	(103,050)	(69,004)	(7,037)	(26,976)	-	(206,067)
Effect of movements in exchange rates	-	105,051	399,519	5,038	1,953	25,982	14,207	551,750
Balance at September 30, 2022	<u>\$ 878,978</u>	<u>1,639,893</u>	<u>3,455,092</u>	<u>669,707</u>	<u>228,504</u>	<u>499,631</u>	<u>196,990</u>	<u>7,568,795</u>
Depreciation:								
Balance at January 1, 2023	\$ -	165,507	1,959,147	439,066	197,233	314,541	-	3,075,494
Depreciation	-	41,130	338,947	58,355	21,205	51,714	-	511,351
Reclassifications	-	-	-	-	-	-	-	-
Disposals and derecognitions	-	-	(88,339)	(9,399)	(119,135)	(5,275)	-	(222,148)
Effect of movements in exchange rates	-	2,956	53,655	-	(92)	4,591	-	61,110
Balance at September 30, 2023	<u>\$ -</u>	<u>209,593</u>	<u>2,263,410</u>	<u>488,022</u>	<u>99,211</u>	<u>365,571</u>	<u>-</u>	<u>3,425,807</u>
Balance at January 1, 2022	\$ -	117,853	1,508,894	419,902	182,781	284,922	-	2,514,352
Depreciation	-	34,410	281,040	50,663	15,567	39,536	-	421,216
Reclassifications	-	-	-	-	-	-	-	-
Disposals and derecognitions	-	-	(88,740)	(35,485)	(7,037)	(22,510)	-	(153,772)
Effect of movements in exchange rates	-	2,281	220,016	1,965	834	15,358	-	240,454
Balance at September 30, 2022	<u>\$ -</u>	<u>154,544</u>	<u>1,921,210</u>	<u>437,045</u>	<u>192,145</u>	<u>317,306</u>	<u>-</u>	<u>3,022,250</u>
Carrying amounts:								
Balance at September 30, 2023	<u>\$ 878,978</u>	<u>2,829,599</u>	<u>1,159,939</u>	<u>286,098</u>	<u>59,888</u>	<u>217,900</u>	<u>147,608</u>	<u>5,580,010</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 September 30, 2022	<u>\$ 878,978</u>	<u>1,485,349</u>	<u>1,533,882</u>	<u>232,662</u>	<u>36,359</u>	<u>182,325</u>	<u>196,990</u>	<u>4,546,545</u>
Balance at January 1, 2022	<u>\$ 878,978</u>	<u>1,394,564</u>	<u>975,864</u>	<u>277,365</u>	<u>39,400</u>	<u>177,213</u>	<u>19,129</u>	<u>3,762,513</u>

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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As of September 30, 2023, December 31 and September 30, 2022, the Group did not provide any property, plant and equipment as collaterals.

(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 nine months ended September 30, 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	-	9,022	-	-	9,022
Disposal/Write-off	-	(5,858)	-	(2,116)	(7,974)
Effect of movements in exchange rates	16,778	14,375	-	182	31,335
Balance at September 30, 2023	<u>\$ 347,074</u>	<u>362,640</u>	<u>-</u>	<u>24,193</u>	<u>733,907</u>
Balance at January 1, 2022	\$ 297,707	360,109	81,081	16,530	755,427
Additions	-	16,003	-	9,797	25,800
Disposal/Write-off	-	(60,170)	(81,081)	(3,777)	(145,028)
Effect of movements in exchange rates	44,849	39,554	-	-	84,403
Balance at September 30, 2022	<u>\$ 342,556</u>	<u>355,496</u>	<u>-</u>	<u>22,550</u>	<u>720,602</u>
Depreciation:					
Balance at January 1, 2023	\$ 20,529	176,215	-	11,971	208,715
Depreciation	5,473	62,264	-	6,535	74,272
Disposal/Write-off	-	(1,195)	-	(2,116)	(3,311)
Effect of movements in exchange rates	1,280	9,402	-	121	10,803
Balance at September 30, 2023	<u>\$ 27,282</u>	<u>246,686</u>	<u>-</u>	<u>16,511</u>	<u>290,479</u>
Balance at January 1, 2022	\$ 11,973	108,727	41,891	6,529	169,120
Depreciation	5,182	63,167	-	5,564	73,913
Disposal/Write-off	-	(20,812)	(41,891)	(3,777)	(66,480)
Effect of movements in exchange rates	2,257	15,955	-	-	18,212
Balance at September 30, 2022	<u>\$ 19,412</u>	<u>167,037</u>	<u>-</u>	<u>8,316</u>	<u>194,765</u>
Carrying amount:					
Balance on September 30, 2023	<u>\$ 319,792</u>	<u>115,954</u>	<u>-</u>	<u>7,682</u>	<u>443,428</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 September 30, 2022	<u>\$ 323,144</u>	<u>188,459</u>	<u>-</u>	<u>14,234</u>	<u>525,837</u>
Balance at January 1, 2022	<u>\$ 285,734</u>	<u>251,382</u>	<u>39,190</u>	<u>10,001</u>	<u>586,307</u>

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Intangible Assets

A summary of intangible assets of the Group for the nine months ended September 30, 2023 and 2022 were as follows:

	<u>Goodwill</u>	<u>Authorization fee</u>	<u>Computer software and others</u>	<u>Total</u>
Carrying amount:				
September 30, 2023	\$ <u>6,556</u>	<u>2,657</u>	<u>63,816</u>	<u>73,029</u>
January 1, 2023	\$ <u>6,556</u>	<u>4,522</u>	<u>82,201</u>	<u>93,279</u>
September 30, 2022	\$ <u>6,556</u>	<u>5,143</u>	<u>81,649</u>	<u>93,348</u>
January 1, 2022	\$ <u>6,556</u>	<u>7,008</u>	<u>101,464</u>	<u>115,028</u>

There were no significant additions, disposals, recognitions and reversals of impairment loss on intangible assets for the nine months ended September 30, 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 September 30, 2023, December 31 and September 30, 2022, the Group did not provide any intangible assets as collaterals.

(l) Short-term borrowings

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Unsecured bank loans	\$ <u>337,873</u>	<u>4,386,582</u>	<u>3,811,218</u>
Unused credit line for short-term borrowings	\$ <u>18,025,411</u>	<u>11,618,524</u>	<u>12,526,834</u>
Annual interest rates	<u>1.77%~5.58%</u>	<u>0.05%~5.58%</u>	<u>0.05%~3.83%</u>

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

(m) Other current liabilities

The details of other current liabilities were as follows:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Temporary receipts–non-recurring engineering revenue and collection on behalf of others	\$ 711,135	618,657	907,773
Contract liabilities–advance receipts	406,910	234,715	42,428
Others	<u>37,297</u>	<u>64,646</u>	<u>279,919</u>
	<u>\$ 1,155,342</u>	<u>918,018</u>	<u>1,230,120</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:

	September 30, 2023	December 31, 2022	September 30, 2022
Unsecured bank loans	\$ 682,732	-	-
Less: current portion	682,732	-	-
Total	<u>\$ -</u>	<u>-</u>	<u>-</u>
Unused credit line for long-term borrowings	<u>\$ 950,145</u>	<u>-</u>	<u>-</u>
Annual interest rates	<u>2.80%~5.28%</u>		

- (i) The loans, with maturity dates from November 2023 to May 2024, were amounted to \$682,732 as of September 30, 2023.
- (ii) As of September 30, 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 refer to 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:

	September 30, 2023	December 31, 2022	September 30, 2022
Total convertible bonds issued	\$ -	1,000,000	1,000,000
Accumulated converted amount	-	(992,600)	(992,600)
Repayment of bonds payable	-	(7,400)	(7,400)
Balance of bonds payable as of the reporting date	<u>\$ -</u>	<u>-</u>	<u>-</u>
Conversion options included in equity components (recognized as capital surplus – expired stock options)	<u>\$ 361</u>	<u>361</u>	<u>361</u>
	For the three months ended September 30,	For the nine months ended September 30,	
	2023	2022	2023
Interest expenses	<u>\$ -</u>	<u>-</u>	<u>-</u>
			<u>763</u>

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (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 method.
- (iii) For the six months ended June 30, 2022, the convertible bonds with a par value of \$321,100 were converted into ordinary shares of the Company with \$38,920 and the capital surplus were recognized with \$296,640 (including the stock options reclassified as additional paid-in capital – premium of \$15,626 and the unamortized discounts on bonds payable of \$1,166).
- (iv) The Group did not issue or repurchase bonds payable for the nine months ended September 30, 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:

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2022</u>
Current	\$ <u>86,177</u>	<u>91,055</u>	<u>88,341</u>
Non-current	\$ <u>45,948</u>	<u>104,690</u>	<u>122,523</u>

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

The amounts recognized in profit or loss were as follows:

	<u>For the three months ended</u> <u>September 30,</u>		<u>For the nine months ended</u> <u>September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Interest expense on lease liabilities	\$ <u>1,482</u>	<u>2,211</u>	<u>5,141</u>	<u>7,490</u>
Expenses relating to short-term leases	\$ <u>4,816</u>	<u>6,036</u>	<u>14,227</u>	<u>20,718</u>

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

	<u>For the nine months ended</u> <u>September 30,</u>	
	<u>2023</u>	<u>2022</u>
Total cash outflow for leases	\$ <u>87,330</u>	<u>93,461</u>

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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(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 parts of offices and 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 nine months ended September 30, 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 curtailment 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		For the nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Operating costs	\$ 45	44	134	124
Selling expenses	58	50	175	133
Administrative expenses	82	71	254	238
Research and development expenses	256	189	761	568
	\$ 441	354	1,324	1,063

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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 and nine months ended September 30, 2023 and 2022 were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Operating costs	\$ 492	472	1,414	1,401
Selling expenses	1,143	1,085	3,294	3,273
Administrative expenses	1,901	1,760	5,568	5,201
Research and development expenses	10,316	9,655	30,421	28,430
	\$ 13,852	12,972	40,697	38,305

Other subsidiaries recognized the pension expenses, basic endowment insurance expenses, and social welfare expenses amounting to \$14,308, \$13,292, \$41,781 and \$43,212 for the three months and nine months ended September 30, 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 September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Current income tax expense	\$ 249,009	178,619	591,053	451,100

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Items that might be reclassified subsequently to profit or loss:				
Gain (losses) on hedging instrument	\$ 2,989	(10,189)	11,474	1,129

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Examination and approve

The ROC tax authorities has examined the income tax returned of the Company, ZHI-BAO and TTI through 2021. 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.

(t) Capital and other equities

Except for the following disclosures, there was no significant change for capital and other equities for the nine months ended September 30, 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 \$303, had been cancelled due to failure in meeting the vested requirements for the nine months ended September 30, 2022. As of the reporting date, the registration procedures had been completed.

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

(ii) Capital surplus

	September 30, 2023	December 31, 2022	September 30, 2022
Additional paid-in capital–premium	\$ 3,861,264	4,081,618	4,081,618
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	6,856	6,052	4,135
Expired stock options	361	361	361
	<u>\$ 3,872,179</u>	<u>4,091,729</u>	<u>4,089,812</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 nine months ended September 30, 2022 was \$296,640 (including the stock options reclassified as additional-paid in capital— premium of \$15,626, and the unamortized discounts on bonds payable of \$1,166).

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 plan 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><u>1,211,949</u></u>	5.72240092	<u><u>1,260,956</u></u>

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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 nine months ended September 30, 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		For the nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Basic earnings per share:				
Net income attributable to ordinary shareholders of the Company	\$ <u>687,735</u>	<u>570,668</u>	<u>1,759,734</u>	<u>1,387,894</u>
Weighted-average number of ordinary shares (thousand shares)	<u>220,354</u>	<u>219,355</u>	<u>220,354</u>	<u>218,171</u>
	<u>\$ 3.12</u>	<u>2.60</u>	<u>7.98</u>	<u>6.36</u>
Diluted earnings per share:				
Net income attributable to ordinary shareholders of the Company	\$ <u>687,735</u>	<u>570,668</u>	<u>1,759,734</u>	<u>1,388,657</u>
Weighted-average number of ordinary shares	220,354	219,355	220,354	218,171
Effect of dilutive potential ordinary shares:				
Effect of remuneration to employees	1,849	2,437	2,665	3,149
Effect of employee restricted shares unvested	-	999	-	1,183
Effect of convertible bonds payable	-	-	-	1,064
Weighted-average number of ordinary shares (thousand shares)(after adjustment of potential diluted ordinary shares)	<u>222,203</u>	<u>222,791</u>	<u>223,019</u>	<u>223,567</u>
	<u>\$ 3.10</u>	<u>2.56</u>	<u>7.89</u>	<u>6.21</u>

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(w) Revenue from contracts with customers

(i) Details of revenue

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Primary geographical markets:				
America	\$ 6,918,968	5,993,844	16,244,492	14,538,153
Europe	3,812,504	3,750,779	12,947,645	12,284,331
Asia and others	<u>3,140,037</u>	<u>3,039,080</u>	<u>7,838,764</u>	<u>7,149,095</u>
	<u>\$ 13,871,509</u>	<u>12,783,703</u>	<u>37,030,901</u>	<u>33,971,579</u>
Major products:				
Mobility Solution	5,361,289	5,686,173	12,213,855	12,076,438
Smart Home Solution	4,824,479	3,878,260	12,702,073	12,631,563
Broadband Solution	3,270,352	3,033,200	11,042,323	8,315,290
Others	<u>415,389</u>	<u>186,070</u>	<u>1,072,650</u>	<u>948,288</u>
	<u>\$ 13,871,509</u>	<u>12,783,703</u>	<u>37,030,901</u>	<u>33,971,579</u>

(ii) Contract balances

	September	December 31,	September
	30, 2023	2022	30, 2022
Notes and accounts receivable	\$ 8,258,207	10,841,313	11,929,236
Less: allowance for uncollectible accounts	<u>(38,705)</u>	<u>(44,598)</u>	<u>(53,606)</u>
Total	<u>\$ 8,219,502</u>	<u>10,796,715</u>	<u>11,875,630</u>
Contract liabilities (recognized under other current liabilities)	<u>\$ 406,910</u>	<u>234,715</u>	<u>42,428</u>

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

The amounts of revenue recognized for the nine months ended September 30, 2023 and 2022 that were included in the balance of contract liabilities at the beginning of the periods were \$141,196 and \$8,004, respectively.

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(x) Remuneration to employees and directors

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

For the three months and nine months ended September 30, 2023 and 2022, the Company accrued and recognized employee remuneration of \$120,156, \$96,329, \$298,638 and \$232,240, and directors' remuneration of \$6,407, \$5,055, \$15,879 and \$12,611, 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 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. The differences between the actual amounts and the estimates 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.

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The movement of loss allowance provision for the nine months ended September 30, 2023 and 2022 were as follows:

	Other receivables
Balance at January 1, 2023	\$ 528
Impairment loss recognized	6,412
Balance at September 30, 2023	\$ 6,940
Balance at January 1, 2022	\$ 3
Impairment loss recognized	176
Balance at September 30, 2022	\$ 179

(ii) Liquidity risk

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

	Carrying Amount	Contractual cash flows	Within 1 year	1 ~ 2 years	Over 2 years
September 30, 2023					
Non-derivative financial liabilities					
Unsecured bank loans (including short-term and long-term borrowings)	\$ 1,020,605	(1,020,605)	(1,020,605)	-	-
Accounts payable (including related parties)	14,184,350	(14,184,350)	(14,184,350)	-	-
Other payables	5,679,564	(5,679,564)	(5,679,564)	-	-
Lease liability – current and non-current	132,125	(136,498)	(89,950)	(46,139)	(409)
Deposits received	36,190	(36,190)	(36,190)	-	-
Derivative financial liabilities					
Foreign exchange swaps contracts:	9,739				
Outflow		(968,100)	(968,100)	-	-
Inflow		953,960	953,960	-	-
Foreign exchange forward contracts used for hedging:	270				
Outflow		(33,910)	(33,910)	-	-
Inflow		33,680	33,680	-	-
	\$ 21,062,843	(21,071,577)	(21,025,029)	(46,139)	(409)

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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>
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>
September 30, 2022					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 3,811,218	(3,811,218)	(3,811,218)	-	-
Accounts payable (including related parties)	15,228,368	(15,228,368)	(15,228,368)	-	-
Other payables (including related parties)	4,691,228	(4,691,228)	(4,691,228)	-	-
Lease liability – current and non-current	210,864	(221,733)	(95,173)	(82,201)	(44,359)
Deposits received	35,509	(35,509)	(35,509)	-	-
Derivative financial liabilities					
Other foreign exchange forward contracts:	9				
Outflow		(27,554)	(27,554)	-	-
Inflow		27,959	27,959	-	-
Foreign exchange swaps contracts:	40,974				
Outflow		(955,500)	(955,500)	-	-
Inflow		910,870	910,870	-	-
	<u>\$ 24,018,170</u>	<u>(24,032,281)</u>	<u>(23,905,721)</u>	<u>(82,201)</u>	<u>(44,359)</u>

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Market risk

1) Exposure to foreign currency risk

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

Unit: thousands of foreign currency

	September 30, 2023			December 31, 2022			September 30, 2022		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets									
Monetary items									
USD	\$ 617,680	USD/TWD =32.27	19,932,534	749,672	USD/TWD =30.71	23,022,427	927,694	USD/TWD =31.85	29,547,054
EUR	14,611	EUR/TWD =33.91	495,459	56,037	EUR/TWD =32.72	1,833,531	28,316	EUR/TWD =30.76	871,000
Financial liabilities									
USD	559,934	USD/TWD =32.27	18,069,070	883,557	USD/TWD =30.71	27,134,035	822,246	USD/TWD =31.85	26,188,535
EUR	6,604	EUR/TWD =33.91	223,942	20,859	EUR/TWD =32.72	682,506	25,369	EUR/TWD =30.76	780,350
CNY	292,023	CNY/USD =0.137	1,291,031	183,261	CNY/USD =0.144	810,424	131,438	CNY/USD =0.139	581,896

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, other receivables, short-term borrowings, accounts payable (including related parties), 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 September 30, 2023 and 2022 would have affected the net income before tax as follows. The analysis is performed on the same basis for both periods.

	September 30, 2023	September 30, 2022
USD (against the TWD)		
Strengthening 5%	\$ 93,173	167,926
Weakening 5%	(93,173)	(167,926)
EUR (against the TWD)		
Strengthening 5%	13,576	4,533
Weakening 5%	(13,576)	(4,533)
CNY (against the USD)		
Strengthening 5%	(64,552)	(29,095)
Weakening 5%	64,552	29,095

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3) Exchange gains and losses of monetary items

As the Group deals with diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three months and nine months ended September 30, 2023 and 2022, the net foreign exchange gains (including realized and unrealized portions) amounted to \$83,368, \$138,745, \$217,032 and \$224,495, respectively.

(iv) Interest rate risk

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

	Carrying amount	
	September 30, 2023	September 30, 2022
Fixed rate financial instrument:		
Financial assets	\$ 3,985,724	4,191,979
Financial liabilities	<u>(1,020,605)</u>	<u>(3,811,218)</u>
	<u>\$ 2,965,119</u>	<u>380,761</u>
Variable rate financial instrument:		
Financial assets	<u>\$ 3,420,361</u>	<u>2,867,569</u>

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 \$6,413 and \$5,377 for the nine months ended September 30, 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 assets and liabilities 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, but excluding financial instruments not measured at fair value whose carrying amount is reasonably approximate to the fair value, and lease liabilities, since the disclosures of fair value information is not required), were as

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follows:

	September 30, 2023				
	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	\$ 18,180	-	18,180	-	18,180
Non-derivative financial assets mandatorily measured at fair value through profit or loss	<u>63,673</u>	-	-	63,673	63,673
Subtotal	<u>81,853</u>				
Financial assets for hedging	<u>9,829</u>	-	9,829	-	9,829
Financial assets measured at fair value through other comprehensive income					
Stocks unlisted on domestic markets	36,828	-	-	36,828	36,828
Accounts receivable	<u>1,956,495</u>	-	1,956,495	-	1,956,495
Subtotal	<u>1,993,323</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	7,409,186	-	-	-	-
Notes and accounts receivable, net	6,263,007	-	-	-	-
Other receivables	674,695	-	-	-	-
Refundable deposits	<u>103,387</u>	-	-	-	-
Subtotal	<u>14,450,275</u>				
Total	<u>\$ 16,535,280</u>				
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	<u>\$ 9,739</u>	-	9,739	-	9,739
Financial liabilities for hedging	<u>270</u>	-	270	-	270
Financial liabilities measured at amortized cost					
Short-term borrowings	337,873	-	-	-	-
Accounts payable (including related parties)	14,184,350	-	-	-	-
Other payables	5,679,564	-	-	-	-
Long-term borrowings, current portion	682,732	-	-	-	-
Lease liabilities—current and non-current	132,125	-	-	-	-
Deposits received	<u>36,190</u>	-	-	-	-
Subtotal	<u>21,052,834</u>				
Total	<u>\$ 21,062,843</u>				

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	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>				

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

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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 used in calculating the 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 of discount resulting from the for lack of marketability of the equity securities.

b) Derivative financial instruments

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

4) Transfers between Level 1 and Level 2

There was no transfer from level 2 to level 1 for the nine months ended September 30, 2023 and 2022.

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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	17,294	-
In other comprehensive income	<u>-</u>	<u>(9,322)</u>
Balance at September 30, 2023	<u>\$ 63,673</u>	<u>36,828</u>
Balance at January 1, 2022	\$ 37,475	26,169
Total gains and losses recognized		
In profit or loss	14,831	-
In other comprehensive income	<u>-</u>	<u>27,407</u>
Balance at September 30, 2022	<u>\$ 52,306</u>	<u>53,576</u>

For the three months and nine months ended September 30, 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 September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</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>\$ 7,841</u>	<u>1,552</u>	<u>17,294</u>	<u>14,831</u>

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
In other comprehensive income, and presented in “Unrealized gains and losses from investments in equity instruments measured at fair value through other comprehensive income”	\$ (4,141)	(4,966)	(9,322)	27,407

- 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:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value
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 (1.87~3.08, 1.21~3.77 and 1.31~4.38 on September 30, 2023, December 31 and September 30, 2022, respectively) · Lack-of-Marketability discount rate (30% on September 30, 2023, December 31 and September 30, 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.

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

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

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

	<u>Input</u>	<u>Move up or down</u>	<u>Other comprehensive income</u>	
			<u>Favorable change</u>	<u>Unfavorable change</u>
September 30, 2023				
Financial assets measured at fair value through other comprehensive income	Price-Book ratio multiples	5%	\$ <u>1,861</u>	<u>1,873</u>
	Lack-of-Marketability discount rate	5%	\$ <u>804</u>	<u>817</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>
September 30, 2022				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	\$ <u>2,704</u>	<u>2,687</u>
	Lack-of-Marketability discount rate	5%	\$ <u>1,167</u>	<u>1,139</u>

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. If there are more than one input for the fair value of financial instrument, the analysis above only reflects the effects of changes for a single input, and it does not consider the inter-relationships and variability with another inputs.

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8) Offsetting financial assets and financial liabilities

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

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

Unit: In thousand dollars of TWD and USD

September 30, 2023			
Financial assets/liabilities that are offset which have an exercisable master netting arrangement or similar agreement			
	Gross amounts of recognized financial assets/ liabilities (a)	Gross amounts of financial assets/ liabilities offset in the balance sheet (b)	Net amount of financial assets/ liabilities presented in the balance sheet (c)=(a)-(b)
Cash/short-term borrowings	\$ <u>6,549,616</u> (USD <u>202,963</u>)	<u>6,549,616</u> (USD <u>202,963</u>)	<u>-</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 (a)	Gross amounts of financial assets/ liabilities offset in the balance sheet (b)	Net amount of financial assets/ liabilities presented in the balance sheet (c)=(a)-(b)
Cash/short-term borrowings	\$ <u>8,525,741</u> (USD <u>277,621</u>)	<u>8,525,741</u> (USD <u>277,621</u>)	<u>-</u>
September 30, 2022			
Financial assets/liabilities that are offset which have an exercisable master netting arrangement or similar agreement			
	Gross amounts of recognized financial assets/ liabilities (a)	Gross amounts of financial assets/ liabilities offset in the balance sheet (b)	Net amount of financial assets/ liabilities presented in the balance sheet (c)=(a) (b)
Cash/short-term borrowings	\$ <u>7,318,843</u> (USD <u>229,791</u>)	<u>7,318,843</u> (USD <u>229,791</u>)	<u>-</u>

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(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.

(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 quantified information of Group's capital management 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 nine months ended September 30, 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).
- (iii) Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2023	Cash flows	Non-cash changes Other	September 30, 2023
Short-term borrowings	\$ 4,386,582	(4,048,709)	-	337,873
Lease liabilities	195,745	(67,962)	4,342	132,125
Long-term borrowings	-	679,220	3,512	682,732
Deposits received	34,607	1,572	11	36,190
Total liabilities from financing activities	\$ 4,616,934	(3,435,879)	7,865	1,188,920

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

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(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:

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Parent company	\$ 765,510	2,043,783	788,773	2,867,333
Other related parties	22,071	20,749	65,145	75,350
	<u>\$ 787,581</u>	<u>2,064,532</u>	<u>853,918</u>	<u>2,942,683</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.

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(ii) Other expenditures

Other related parties provided technical support, professional services and other services for the Group, and the related expenses for the three months and nine months ended September 30, 2023 and 2022 were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Other related parties	\$ 271	310	813	930

(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:

Account	Related party categories	September 30, 2023	December 31, 2022	September 30, 2022
Accounts payable	Parent company	\$ 782,323	1,451,984	2,167,456
Accounts payable	Other related parties	35,074	27,754	40,313
		\$ 817,397	1,479,738	2,207,769

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(d) Transactions with key management personnel

Key management personnel remunerations comprised:

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Short-term employee benefits \$	39,940	26,862	102,542	71,844
Post-employment benefits	286	257	827	801
Share-based payments	-	563	-	2,252
	\$ 40,226	27,682	103,369	74,897

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 September 30, 2023, December 31 and September 30, 2022, the Group has entered into agreements for the construction of its plants, amounted to \$825,250, \$779,873 and \$1,332,705, respectively, which have yet to be paid.
- (ii) In order to fulfill its contracts on technology licensing, sales agreement, as well as purchase of machinery and equipment, the Group entrusted the banks to issue either letters of guarantee or letters of credit at the amounts of \$156,036, \$146,065 and \$304,718, as of September 30, 2023, December 31 and September 30, 2022, respectively.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

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(12) Other:

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

By function By item	For the three months ended September 30, 2023			For the three months ended September 30, 2022		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	197,667	542,648	740,315	215,290	414,878	630,168
Labor and health insurance	13,449	37,305	50,754	11,782	32,877	44,659
Pension	9,497	19,104	28,601	11,796	14,822	26,618
Others	96,376	17,224	113,600	158,763	14,803	173,566
Depreciation	154,318	42,399	196,717	136,856	38,019	174,875
Amortization	376	13,686	14,062	447	11,302	11,749

By function By item	For the nine months ended September 30, 2023			For the nine months ended September 30, 2022		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	561,338	1,468,887	2,030,225	585,767	1,238,714	1,824,481
Labor and health insurance	39,375	106,138	145,513	29,844	96,378	126,222
Pension	31,718	52,084	83,802	36,496	46,084	82,580
Others	318,207	47,921	366,128	435,366	46,603	481,969
Depreciation	462,239	123,384	585,623	382,164	112,965	495,129
Amortization	1,283	39,367	40,650	1,068	34,820	35,888

- (b) Seasonality of operations

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

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(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 nine months ended September 30, 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	63,720 (USD2,000)	45,178 (USD1,400)	45,178 (USD1,400)	5%	2	-	Operating demand	-	-	-	2,856,714	5,713,429	The transactions had been eliminated in the consolidated financial statements.
0	"	Arcadyan do Brasil Ltda	"	Yes	64,540 (USD2,000)	64,540 (USD2,000)	-	5.5%	2	-	Operating demand	-	-	-	2,856,714	5,713,429	"
0	"	Arcadyan Technology (Vietnam) Co. Ltd.	"	Yes	304,800 (USD10,000)	-	-	1%	1	15,425,060 (USD478,000)	-	-	-	-	2,856,714	5,713,429	"
0	"	Arcadyan Technology (Vietnam) Co. Ltd.	"	Yes	322,700 (USD10,000)	322,700 (USD10,000)	-	5.5%	1	20,588,260 (USD638,000)	-	-	-	-	2,856,714	5,713,429	"
1	Arcadyan Holding	CNC	"	Yes	1,936,200 (USD60,000)	1,936,200 (USD60,000)	-	5.5%	2	-	Operating demand	-	-	-	2,262,872	2,262,872	"

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

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

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

Note 4: The amounts in New Taiwan Dollars were translated at the exchange rate of \$32.27(USD) based on the reporting date.

(ii) Guarantees and endorsements for other parties:

Unit: In 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	1,904,476	242,025 (USD7,500)	242,025 (USD7,500)	-	-	1.69 %	5,713,429	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.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (iii) Securities held as of September 30, 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.	-	"	-	63,673	7.49 %	63,673	
"	Chimei Motor Electronic Co Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	1,650	36,828	5.50 %	36,828	
"	Golden Smart home Technology Corp.	-	"	1,229	-	1.99 %	-	

- (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	60,000 (note 1)	1,843,500 (note 1)	60,000 (note 2)	-	1,843,500 (note 2)	-	-	154,373 (Note 3)	47,780	1,958,794

Note 1: On March 14, 2023, the Board of Directors resolved to increase the capital of Arcadyan Holding in cash amounting to USD 60,000 thousand.

Note 2: On August 22, 2023, the Board of Directors resolved to decrease the capital of Arcadyan Holding in cash by USD60,000 thousand.

Note 3: Others include investment gains (losses) under equity method, exchange differentials on translation of foreign financial statements, etc.

- (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	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 (Note 1)	Estimated the maximum limit of 1,466,719	1,379,469	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
The Company	Building	September 28, 2023	738,000	-	Chien Ming Construction 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 \$1,466,719 (VND1,123,923 million).

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

Unit: In thousand dollars of TWD

Name of company	Counter party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchases/ (Sales)	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)	(775,449)	(2)%	Net 150 days from delivery	-	-	189,073	2 %	Note 3
"	Arcadyan USA	"	(Sales)	(14,545,950)	(41)%	Net 120 days from delivery	-	-	3,052,614	37 %	Note 3
"	Arcadyan AU	"	(Sales)	(700,886)	(2)%	Net 60 days from the end of the month of delivery	-	-	72,316	1 %	Note 3
"	CNC	"	Purchases	6,326,426	13 %	Net 120 days from delivery	According to cost plus pricing	-	(2,762,550)	(31)%	Note 1 · 3
"	Arcadyan Vietnam	"	Purchases	2,077,987	4 %	Net 180 days from the end of the month of delivery	"	-	Note 2	- %	Note 1 · 3
CNC	The Company	Parent company	(Sales)	(6,326,426)	(100)%	Net 120 days from delivery	According to cost plus pricing	-	2,762,550	100 %	Note 1 · 3
Arcadyan Vietnam	The Company	Parent company	(Sales)	(2,077,987)	(100)%	Net 180 days from the end of the month of delivery	"	-	Note 2	- %	Note 1 · 3
Arcadyan Germany	The Company	Parent company	Purchases	775,449	100 %	Net 150 days from delivery	-	-	(189,073)	(100)%	Note 3
Arcadyan USA	The Company	Parent company	Purchases	14,545,950	100 %	Net 120 days from delivery	-	-	(3,052,614)	(100)%	Note 3
Arcadyan AU	The Company	Parent company	Purchases	700,886	100 %	Net 60 days from the end of the month of delivery	-	-	(72,316)	(100)%	Note 3

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

Note 2: As of September 30, 2023, the other receivables were amounted to \$2,890,573.

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	3,052,614	5.42	-	-	996,828	-
"	Arcadyan Vietnam	"	2,890,573 (Note 2)	(Note 2)	-	-	-	-
"	Arcadyan Germany	"	189,073	2.63	-	-	-	-
CNC	The Company	Parent company	2,762,550 (Note 1)	2.92	-	-	335,891	-

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

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

Note 3: Balance as of October 20, 2023.

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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	775,449	There is no significant difference of price with general customers. The credit period is net 150 days from delivery.	2.09 %
"	"	"	1	Accounts Receivable	189,073	"	0.50 %
"	"	Arcadyan USA	1	Sales Revenue	14,545,950	There is no significant difference of price with general customers. The credit period is net 120 days from delivery.	39.28 %
"	"	"	1	Accounts Receivable	3,052,614	"	8.02 %
"	"	Arcadyan AU	1	Sales Revenue	700,886	There is no significant difference of price between general customers'. The credit period is net 60 days from the end of the month of delivery.	1.89 %
"	"	"	1	Accounts Receivable	72,316	"	0.19 %
"	"	Arcadyan Vietnam	1	Other Receivables	2,890,573	The credit period is net 180 days from the end of the month of delivery and depended on funding demand.	7.59 %
1	CNC	The Company	2	Processing Revenue	6,326,426	The price is based on the operating cost-plus. The credit period is net 120 days from delivery and depended on funding demand.	17.08 %
"	"	"	2	Accounts Receivable	2,762,550	"	7.26 %
2	Arcadyan Vietnam	The Company	2	Processing Revenue	2,077,987	The credit period is net 180 days from the end of the month of delivery and depended on funding demand.	5.61 %

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.

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the nine months ended September 30, 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 September 30, 2023			Net Income (Losses) of the Investee	Share of Income (losses) of the investment	Note
				September 30, 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%	1,958,794	93,532	93,532	Note 2 - 4
The Company	Arcadyan USA	USA	Selling and technical support of wireless networking products	23,055	23,055	1	100%	27,348	13,822	13,822	"
The Company	Arcadyan Germany	Germany	Selling and technical support of wireless networking products	1,125	1,125	0.5	100%	94,764	3,712	3,712	"
The Company	Arcadyan Korea	Korea	Selling of wireless networking products	2,879	2,879	20	100%	29,877	6,183	6,183	"
The Company and ZHI-BAO	Arcadyan Brasil	Brazil	Selling of wireless networking products	81,593	81,593	968	100%	(46,162)	(1,240)	(1,240)	"
The Company	ZHI-BAO	Hsinchu City	Investment activities	48,000	48,000	34,980	100%	364,984	(41,369)	(41,369)	"
The Company	TTI	Taipei City	Research and development, and selling digital home appliance	308,726	308,726	25,028	61%	164,755	(59,779)	(36,491)	"
The Company	Arcadyan UK	England	Technical support of wireless networking products	1,988	1,988	50	100%	5,444	404	404	"
The Company	Arcadyan AU	Australia	Selling of wireless networking products	1,161	1,161	50	100%	71,788	7,228	7,228	"
The Company	Arcadyan RU	Russia	Selling of wireless networking products	7,672	7,672	-	100%	3,070	(1,040)	(1,040)	"
The Company	CBN	Hsinchu County	Manufacturing and selling of broadband network products	11,925	11,925	533	1%	9,943	(213,402)	(1,723)	Note 3
The Company and ZHI-BAO	Arcadyan India	India	Selling of wireless networking products	76,952	29,110	19,800	100%	75,796	4,442	4,442	Note 2 - 4
Arcadyan Holding	Sinoprime	British Virgin Islands	Investment activities	937,444 (USD29,050)	937,444 (USD29,050)	29,050	100%	1,412,135 (USD43,760)	121,547 (USD3,930)	Investment gain(losses) recognized by Arcadyan Holding	"
"	Arch Holding	British Virgin Islands	Investment activities	355,325 (USD11,011)	355,325 (USD11,011)	35	100%	811,042 (USD25,133)	(56,196) (USD(1,817))	"	"
Sinoprime	Arcadyan Vietnam	Vietnam	Manufacturing of wireless networking products	935,830 (USD29,000)	935,830 (USD29,000)	-	100%	1,407,327 (USD43,611)	121,516 (USD3,929)	Investment gain (losses) recognized by Sinoprime	"
TTI	Quest	Samoa	Investment activities	38,724 (USD1,200)	38,724 (USD1,200)	1,200	100%	(252,738)	(3,589)	Investment gain (losses) recognized by TTI	"
TTI	TTJC	Japan	Selling of digital home appliance	9,626	9,626	0.7	100%	2,748	(331)	"	"
Quest	Exquisite	Samoa	Investment activities	37,756 (USD1,170)	37,756 (USD1,170)	1,170	100%	(253,610) (USD(7,859))	(3,588) (USD(116))	Investment gain(losses) recognized by Quest	"
ZHI-BAO	CBN	Hsinchu County	Manufacturing and selling of broadband network products	36,272	36,272	13,140	19.43%	245,009	(213,402)	Investment gain(losses) recognized by ZHI-BAO	Note 3

Note 1: The amounts in New Taiwan Dollars were translated at the exchange rate of \$US30.928 based on the average exchange rate for net income (losses) of the investees, others were translated at the exchange rate of US\$32.27 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.

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to 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 September 30, 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	261,387 (USD8,100)	Note 1	(Note 4) 433,063 (USD13,420)	-	-	433,063 (USD13,420)	4,206 (USD136)	100%	4,206 (USD136)	39,273 (USD1,217)	-	Note 3
CNC	Manufacturing of wireless networking products	401,762 (USD12,450)	"	(Note 5) 355,325 (USD11,011)	-	-	355,325 (USD11,011)	(56,196) (USD1,817)	100%	(56,196) (USD1,817)	811,042 (USD25,133)	-	"
TCH	Manufacturing of digital home appliance products	390,628 (USD12,105)	Notes 1, 6 and 7	37,111 (USD1,150)	-	-	37,111 (USD1,150)	(3,588) (USD116)	100%	(3,588) (USD116)	28,333 (USD878)	-	"

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 \$US30.928 based on the average exchange rate for net income (losses) of the investees, others were translated at the exchange rate of US\$32.27 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).

Note 7: The Company's subsidiary, TTI, increased the capital of TCH by accounts receivable of TTI amounting to US\$8,755 thousands on August 16, 2023.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of September 30, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment in Mainland China by Investment Commission, MOEA
825,499 (USD25,581)	1,108,023 (USD34,336)	8,570,144

Note : The amounts in TWD were translated at the exchange rate of \$32.27 on September 30, 2023.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China for the nine months ended September 30, 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 %
Fuh Hwa Taiwan Technology Dividend Highlight ETF		13,602,000	6.17 %

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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 statement of comprehensive income for the segment profit or loss.