

**ARCADYAN TECHNOLOGY CORPORATION AND
SUBSIDIARIES**

Consolidated Financial Statements

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

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

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

Scope of Review

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

Basis for Qualified Conclusion

As stated in Note (4)(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$504,530 thousand and \$1,000,354 thousand, constituting 1% and 3% of consolidated total assets as of June 30, 2022 and 2021, respectively, total liabilities amounting to \$193,012 thousand and \$196,895 thousand, both constituting 1% of consolidated total liabilities as of June 30, 2022 and 2021, respectively, and total comprehensive income (loss) amounting to \$(4,549) thousand, \$4,057 thousand, \$(2,404) thousand and \$10,276 thousand, constituting (1)%, 1%, 0% and 1% of consolidated total comprehensive income for the three months and six months ended June 30, 2022 and 2021, respectively.

Qualified Conclusion

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

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

KPMG

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

Notes to Readers

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

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

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

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2022, December 31, 2021, and June 30, 2021

(Expressed In thousand dollars of TWD)

| Assets | | June 30, 2022 | | December 31, 2021 | | June 30, 2021 | | Liabilities and Equity | | June 30, 2022 | | December 31, 2021 | | June 30, 2021 | |
|----------------------------|---|----------------------|------------|-------------------|------------|-------------------|------------|---|--|----------------------|------------|-------------------|------------|-------------------|------------|
| | | Amount | % | Amount | % | Amount | % | | | Amount | % | Amount | % | Amount | % |
| Current assets: | | | | | | | | Current liabilities: | | | | | | | |
| 1100 | Cash and cash equivalents (note (6)(a)) | \$ 11,774,416 | 32 | 7,970,779 | 24 | 7,752,151 | 25 | 2100 | Short-term borrowings (note (6)(k)) | \$ 6,906,344 | 19 | 4,363,580 | 13 | 1,489,951 | 5 |
| 1110 | Current financial assets at fair value through profit or loss (note (6)(b)) | 27,458 | - | 19,713 | - | 278,041 | 1 | 2120 | Current financial liabilities at fair value through profit or loss (note (6)(b)) | 50,220 | - | 1,589 | - | 11,007 | - |
| 1139 | Current financial assets for hedging (note (6)(d)) | 56,591 | - | - | - | 18,050 | - | 2171 | Accounts payable (including related parties) (note (7)) | 9,463,061 | 25 | 9,785,660 | 29 | 11,940,423 | 38 |
| 1170 | Notes and accounts receivable, net (notes (6)(e) and (u)) | 7,711,864 | 21 | 7,692,296 | 23 | 7,460,536 | 24 | 2200 | Other payables (including related parties) (note (7)) | 4,179,883 | 11 | 3,844,578 | 12 | 3,244,621 | 11 |
| 1200 | Other receivables (including related parties) (notes (6)(e), (w) and (7)) | 83,751 | - | 98,994 | - | 234,355 | 1 | 2216 | Dividends payable | 1,478,382 | 4 | 10 | - | 10 | - |
| 1310 | Inventories, net (note (6)(f)) | 12,033,233 | 32 | 12,496,419 | 37 | 10,504,113 | 33 | 2230 | Current tax liabilities | 212,508 | 1 | 315,279 | 1 | 319,115 | 1 |
| 1410 | Prepayments | 185,951 | - | 163,493 | - | 158,532 | 1 | 2250 | Current provisions (note (6)(o)) | 742,690 | 2 | 1,018,471 | 3 | 718,986 | 2 |
| 1470 | Other current assets (note (8)) | 143,546 | - | 91,238 | - | 123,851 | - | 2280 | Current lease liabilities (notes (6)(n) and (7)) | 90,354 | - | 86,426 | - | 81,891 | - |
| | | <u>32,016,810</u> | <u>85</u> | <u>28,532,932</u> | <u>84</u> | <u>26,529,629</u> | <u>85</u> | 2300 | Other current liabilities (note (6)(l)) | 1,219,015 | 3 | 734,799 | 2 | 646,055 | 2 |
| | | | | | | | | 2321 | Bonds payable, current portion (note (6)(m)) | - | - | 326,571 | 1 | 983,006 | 3 |
| | | | | | | | | | | <u>24,342,457</u> | <u>65</u> | <u>20,476,963</u> | <u>61</u> | <u>19,435,065</u> | <u>62</u> |
| Non-current assets: | | | | | | | | Non-Current liabilities: | | | | | | | |
| 1550 | Investments accounted for using equity method (note (6)(g)) | 311,961 | 1 | 324,178 | 1 | 341,226 | 1 | 2570 | Deferred tax liabilities (note (6)(q)) | 177,214 | - | 168,121 | - | 103,802 | - |
| 1511 | Non-current financial assets at fair value through profit or loss (note (6)(b)) | 50,754 | - | 37,475 | - | 40,217 | - | 2580 | Non-current lease liabilities (note (6)(n)) | 153,066 | 1 | 197,303 | 1 | 259,103 | 1 |
| 1517 | Non-current financial assets at fair value through other comprehensive income (note (6)(c)) | 58,542 | - | 26,169 | - | 27,274 | - | 2640 | Non-current net defined benefit liability (note (6)(p)) | 104,609 | - | 105,902 | - | 98,018 | - |
| 1600 | Property, plant and equipment (note (6)(h)) | 4,118,511 | 11 | 3,762,513 | 12 | 3,316,897 | 11 | 2670 | Other non-current liabilities | 33,192 | - | 29,711 | - | 30,165 | - |
| 1755 | Right-of-use assets (notes (6)(i) and (7)) | 531,574 | 2 | 586,307 | 2 | 659,153 | 2 | | | <u>468,081</u> | <u>1</u> | <u>501,037</u> | <u>1</u> | <u>491,088</u> | <u>1</u> |
| 1780 | Intangible assets (note (6)(j)) | 102,260 | - | 115,028 | - | 66,451 | - | | Total liabilities | <u>24,810,538</u> | <u>66</u> | <u>20,978,000</u> | <u>62</u> | <u>19,926,153</u> | <u>63</u> |
| 1840 | Deferred tax assets (note (6)(q)) | 356,845 | 1 | 400,494 | 1 | 324,481 | 1 | Equity attributable to owners of parent (notes (6)(m), (r) and (s)): | | | | | | | |
| 1900 | Other non-current assets | 69,153 | - | 116,017 | - | 55,689 | - | 3110 | Ordinary share | 2,203,543 | 6 | 2,164,926 | 6 | 2,084,245 | 7 |
| | | <u>5,599,600</u> | <u>15</u> | <u>5,368,181</u> | <u>16</u> | <u>4,831,388</u> | <u>15</u> | 3200 | Capital surplus | 4,099,368 | 11 | 4,032,400 | 12 | 3,457,084 | 12 |
| | | | | | | | | 3300 | Retained earnings | 6,295,153 | 16 | 6,738,883 | 20 | 5,795,938 | 18 |
| | | | | | | | | 3410 | Exchange differences on translation of foreign financial statements | (58,081) | - | (243,747) | (1) | (221,709) | (1) |
| | | | | | | | | 3420 | Unrealized gain or loss on financial assets at fair value through other comprehensive income | 9,042 | - | (23,331) | - | (22,226) | - |
| | | | | | | | | 3450 | Gain(loss) on hedging instrument | 45,273 | - | - | - | 18,050 | - |
| | | | | | | | | 3491 | Unearned employee benefit | (3,258) | - | (13,030) | - | (29,318) | - |
| | | | | | | | | | | <u>12,591,040</u> | <u>33</u> | <u>12,656,101</u> | <u>37</u> | <u>11,082,064</u> | <u>36</u> |
| | | | | | | | | 3600 | Non-controlling interests | 214,832 | 1 | 267,012 | 1 | 352,800 | 1 |
| | | | | | | | | | Total equity | <u>12,805,872</u> | <u>34</u> | <u>12,923,113</u> | <u>38</u> | <u>11,434,864</u> | <u>37</u> |
| Total assets | | <u>\$ 37,616,410</u> | <u>100</u> | <u>33,901,113</u> | <u>100</u> | <u>31,361,017</u> | <u>100</u> | Total liabilities and equity | | <u>\$ 37,616,410</u> | <u>100</u> | <u>33,901,113</u> | <u>100</u> | <u>31,361,017</u> | <u>100</u> |

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

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income

For the three months and six months ended June 30, 2022 and 2021

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

| | For the three months ended June 30, | | | | For the six months ended June 30, | | | |
|---|-------------------------------------|-----------|------------------|-----------|-----------------------------------|-----------|-------------------|-----------|
| | 2022 | | 2021 | | 2022 | | 2021 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| 4000 Operating revenues (notes (6)(u) and (7)): | \$ 10,888,197 | 100 | 9,548,362 | 100 | 21,187,876 | 100 | 19,173,177 | 100 |
| 5000 Operating costs (notes (6)(f), (6)(p), (7) and (12)) | <u>9,384,932</u> | <u>86</u> | <u>8,297,592</u> | <u>87</u> | <u>18,269,869</u> | <u>86</u> | <u>16,565,666</u> | <u>86</u> |
| Gross profit from operating | <u>1,503,265</u> | <u>14</u> | <u>1,250,770</u> | <u>13</u> | <u>2,918,007</u> | <u>14</u> | <u>2,607,511</u> | <u>14</u> |
| Operating expenses (notes (6)(p), (7) and (12)): | | | | | | | | |
| 6100 Selling expenses | 277,609 | 3 | 156,758 | 2 | 537,662 | 3 | 303,553 | 2 |
| 6200 Administrative expenses | 121,793 | 1 | 132,998 | 1 | 247,760 | 1 | 238,472 | 1 |
| 6300 Research and development expenses | <u>596,284</u> | <u>5</u> | <u>487,826</u> | <u>5</u> | <u>1,148,786</u> | <u>5</u> | <u>976,121</u> | <u>5</u> |
| Total operating expenses | <u>995,686</u> | <u>9</u> | <u>777,582</u> | <u>8</u> | <u>1,934,208</u> | <u>9</u> | <u>1,518,146</u> | <u>8</u> |
| Net operating income | <u>507,579</u> | <u>5</u> | <u>473,188</u> | <u>5</u> | <u>983,799</u> | <u>5</u> | <u>1,089,365</u> | <u>6</u> |
| Non-operating income and expenses: | | | | | | | | |
| 7100 Interest income | 16,498 | - | 15,896 | - | 30,975 | - | 32,431 | - |
| 7020 Other profit or loss | (2,211) | - | 15,768 | - | 3,576 | - | 18,422 | - |
| 7230 Foreign exchange gains(losses), net (note (6)(w)) | 37,044 | - | (26,909) | - | 85,750 | - | (124,032) | (1) |
| 7235 (Losses) gains on financial assets (liabilities) at fair value through profit or loss (notes (6)(b) and (d)) | (1,285) | - | 31,005 | - | (25,901) | - | 86,964 | 1 |
| 7370 Share of profit of associates and joint ventures accounted for using equity method (note (6)(g)) | (1,860) | - | 3,567 | - | (1,594) | - | 2,854 | - |
| 7510 Interest expense (notes (6)(m) and (n)) | <u>(21,881)</u> | <u>-</u> | <u>(8,780)</u> | <u>-</u> | <u>(35,110)</u> | <u>-</u> | <u>(18,044)</u> | <u>-</u> |
| Total non-operating income and expenses | <u>26,305</u> | <u>-</u> | <u>30,547</u> | <u>-</u> | <u>57,696</u> | <u>-</u> | <u>(1,405)</u> | <u>-</u> |
| Income before tax | <u>533,884</u> | <u>5</u> | <u>503,735</u> | <u>5</u> | <u>1,041,495</u> | <u>5</u> | <u>1,087,960</u> | <u>6</u> |
| 7950 Less: Income tax expenses (note (6)(q)) | <u>140,183</u> | <u>1</u> | <u>123,126</u> | <u>1</u> | <u>272,481</u> | <u>1</u> | <u>251,924</u> | <u>2</u> |
| Net income | <u>393,701</u> | <u>4</u> | <u>380,609</u> | <u>4</u> | <u>769,014</u> | <u>4</u> | <u>836,036</u> | <u>4</u> |
| 8300 Other comprehensive income: | | | | | | | | |
| 8310 Components of other comprehensive income that will not be reclassified to profit or loss | | | | | | | | |
| 8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note (6)(c)) | 1,369 | - | (4,389) | - | 32,373 | - | (3,861) | - |
| 8349 Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(q)) | - | - | - | - | - | - | - | - |
| Components of other comprehensive income that will not be reclassified to profit or loss | <u>1,369</u> | <u>-</u> | <u>(4,389)</u> | <u>-</u> | <u>32,373</u> | <u>-</u> | <u>(3,861)</u> | <u>-</u> |
| 8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss | | | | | | | | |
| 8361 Exchange differences on translation of foreign financial statements | 103,405 | 1 | (56,794) | - | 181,705 | 1 | (56,627) | - |
| 8368 Gains (losses) on hedging instrument (note (6)(d)) | 22,591 | - | 10,493 | - | 56,591 | - | 20,242 | - |
| 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)) | (34) | - | (13) | - | (7) | - | (104) | - |
| 8399 Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note (6)(q)) | <u>(4,342)</u> | <u>-</u> | <u>(11,359)</u> | <u>-</u> | <u>11,318</u> | <u>-</u> | <u>(11,325)</u> | <u>-</u> |
| Components of other comprehensive income that will be reclassified to profit or loss | <u>130,304</u> | <u>1</u> | <u>(34,955)</u> | <u>-</u> | <u>226,971</u> | <u>1</u> | <u>(25,164)</u> | <u>-</u> |
| 8300 Other comprehensive income | <u>131,673</u> | <u>1</u> | <u>(39,344)</u> | <u>-</u> | <u>259,344</u> | <u>1</u> | <u>(29,025)</u> | <u>-</u> |
| Total comprehensive income | <u>\$ 525,374</u> | <u>5</u> | <u>341,265</u> | <u>4</u> | <u>1,028,358</u> | <u>5</u> | <u>807,011</u> | <u>4</u> |
| Net income, attributable to: | | | | | | | | |
| Owners of parent | \$ 427,401 | 4 | 381,395 | 4 | 817,226 | 4 | 835,812 | 4 |
| 8620 Non-controlling interests | <u>(33,700)</u> | <u>-</u> | <u>(786)</u> | <u>-</u> | <u>(48,212)</u> | <u>-</u> | <u>224</u> | <u>-</u> |
| | <u>\$ 393,701</u> | <u>4</u> | <u>380,609</u> | <u>4</u> | <u>769,014</u> | <u>4</u> | <u>836,036</u> | <u>4</u> |
| Comprehensive income attributable to: | | | | | | | | |
| Owners of parent | \$ 561,954 | 5 | 342,112 | 4 | 1,080,538 | 5 | 806,846 | 4 |
| Non-controlling interests | <u>(36,580)</u> | <u>-</u> | <u>(847)</u> | <u>-</u> | <u>(52,180)</u> | <u>-</u> | <u>165</u> | <u>-</u> |
| | <u>\$ 525,374</u> | <u>5</u> | <u>341,265</u> | <u>4</u> | <u>1,028,358</u> | <u>5</u> | <u>807,011</u> | <u>4</u> |
| Earnings per share (note (6)(t)) | | | | | | | | |
| 9750 Basic earnings per share | <u>\$ 1.95</u> | | <u>1.85</u> | | <u>3.76</u> | | <u>4.05</u> | |
| 9850 Diluted earnings per share | <u>\$ 1.93</u> | | <u>1.74</u> | | <u>3.67</u> | | <u>3.79</u> | |

See accompanying notes to consolidated financial statements.

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

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Statement of Changes in Equity

For the six months ended June 30, 2022 and 2021

(Expressed in thousand dollars of TWD)

| | Equity attributable to owners of parent | | | | | | Total other equity interest | | | | | | | |
|--|---|-----------------|---------------|-----------------|----------------------------------|-------------------------|---|---|---------------------------------------|---------------------------|-----------------------------|---|---------------------------|--------------|
| | Ordinary shares | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Total retained earnings | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | Gains (losses) on hedging instruments | Unearned employee benefit | Total other equity interest | Total equity attributable to owners of parent | Non-controlling interests | Total equity |
| Balance at January 1, 2021 | \$ 2,084,095 | 3,661,594 | 981,894 | 95,172 | 5,029,131 | 6,106,197 | (176,362) | (18,365) | (2,192) | (45,606) | (242,525) | 11,609,361 | 352,635 | 11,961,996 |
| Net income for the six months ended June 30, 2021 | - | - | - | - | 835,812 | 835,812 | - | - | - | - | - | 835,812 | 224 | 836,036 |
| Other comprehensive income for the six months ended June 30, 2021 | - | - | - | - | - | - | (45,347) | (3,861) | 20,242 | - | (28,966) | (28,966) | (59) | (29,025) |
| Comprehensive income for the six months ended June 30, 2021 | - | - | - | - | 835,812 | 835,812 | (45,347) | (3,861) | 20,242 | - | (28,966) | 806,846 | 165 | 807,011 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | | | | |
| Cash dividends of ordinary share | - | - | - | - | (1,146,071) | (1,146,071) | - | - | - | - | - | (1,146,071) | - | (1,146,071) |
| Cash dividends from capital surplus | - | (208,377) | - | - | - | - | - | - | - | - | - | (208,377) | - | (208,377) |
| Convertible bonds converted into ordinary shares | 479 | 3,652 | - | - | - | - | - | - | - | - | - | 4,131 | - | 4,131 |
| Changes in equity of associates and subsidiaries accounted for using equity method | - | (114) | - | - | - | - | - | - | - | - | - | (114) | - | (114) |
| Share-based payment transactions | (329) | 329 | - | - | - | - | - | - | - | 16,288 | 16,288 | 16,288 | - | 16,288 |
| Balance at June 30, 2021 | \$ 2,084,245 | 3,457,084 | 981,894 | 95,172 | 4,718,872 | 5,795,938 | (221,709) | (22,226) | 18,050 | (29,318) | (255,203) | 11,082,064 | 352,800 | 11,434,864 |
| 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 six months ended June 30, 2022 | - | - | - | - | 817,226 | 817,226 | - | - | - | - | - | 817,226 | (48,212) | 769,014 |
| Other comprehensive income for the six months ended June 30, 2022 | - | - | - | - | - | - | 185,666 | 32,373 | 45,273 | - | 263,312 | 263,312 | (3,968) | 259,344 |
| Comprehensive income for the six months ended June 30, 2022 | - | - | - | - | 817,226 | 817,226 | 185,666 | 32,373 | 45,273 | - | 263,312 | 1,080,538 | (52,180) | 1,028,358 |
| 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 | - | 3,057 | - | - | - | - | - | - | - | - | - | 3,057 | - | 3,057 |
| Share-based payment transactions | (303) | 303 | - | - | - | - | - | - | - | 9,772 | 9,772 | 9,772 | - | 9,772 |
| Balance at June 30, 2022 | \$ 2,203,543 | 4,099,368 | 1,330,667 | 267,078 | 4,697,408 | 6,295,153 | (58,081) | 9,042 | 45,273 | (3,258) | (7,024) | 12,591,040 | 214,832 | 12,805,872 |

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

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Statement of Cash Flows

For the six months ended June 30, 2022 and 2021

(Expressed in thousand dollars of TWD)

| | For the six months ended June 30, | |
|--|-----------------------------------|--------------------|
| | 2022 | 2021 |
| Cash flows from (used in) operating activities: | | |
| Income before tax | \$ 1,041,495 | 1,087,960 |
| Adjustments: | | |
| Adjustments to reconcile profit (loss): | | |
| Depreciation expense | 320,254 | 251,988 |
| Amortization expense | 24,140 | 17,092 |
| Expected credit losses | 8,928 | 453 |
| Interest expense | 35,110 | 18,044 |
| Interest income | (30,975) | (32,431) |
| Net loss (gain) on financial assets or liabilities at fair value through profit or loss | (13,279) | 2,623 |
| Share-based payments transactions | 9,772 | 16,288 |
| Share of loss (profit) of associates and joint ventures accounted for using equity method | 1,594 | (2,854) |
| Losses (gains) on disposal of property, plant, equipment and intangible assets | 10,074 | (1,121) |
| Lease modification benefits | (2,656) | - |
| Others | (404) | 1,427 |
| Total adjustments to reconcile profit (loss) | 362,558 | 271,509 |
| Changes in operating assets and liabilities: | | |
| Changes in financial assets or liabilities mandatorily measured at fair value through profit or loss | 40,886 | (48,708) |
| Increase in notes and accounts receivable | (28,459) | (548,534) |
| Decrease (increase) in other receivables | 15,428 | (63,170) |
| Decrease (increase) in inventories | 463,186 | (2,477,517) |
| Increase in prepayments | (22,458) | (13,344) |
| (Increase) decrease in other current assets | (52,308) | 791 |
| (Decrease) increase in accounts payable (including related parties) | (322,599) | 1,605,817 |
| Increase in other payables (including related parties) and other current liabilities | 537,528 | 811,470 |
| Decrease in other operating liabilities | (1,293) | (1,101) |
| Total changes in operating assets and liabilities | 629,911 | (734,296) |
| Total adjustments | 992,469 | (462,787) |
| Cash inflow generated from operations | 2,033,964 | 625,173 |
| Interest received | 30,556 | 21,776 |
| Dividends received | 13,673 | - |
| Interest paid | (20,888) | (10,990) |
| Income taxes paid | (394,768) | (328,776) |
| Net cash flows from operating activities | 1,662,537 | 307,183 |
| Cash flows from (used in) investing activities: | | |
| Acquisition of property, plant and equipment | (541,342) | (1,008,853) |
| Proceeds from disposal of property, plant and equipment | 34,688 | 1,735 |
| Proceeds from disposal of right-of-use assets | 40,541 | - |
| (Decrease) increase in refundable deposits | 50,244 | (8,487) |
| Acquisition of intangible assets | (11,357) | (8,250) |
| Other investing activities | (2,745) | 16 |
| Net cash flows used in investing activities | (429,971) | (1,023,839) |
| Cash flows from (used in) financing activities: | | |
| Increase in short-term borrowings | 2,542,764 | 782,156 |
| Repayments of bonds | (7,400) | - |
| Repayment of lease principal | (44,881) | (43,625) |
| Cash dividends paid | - | (1,354,449) |
| Other financing activities | 3,372 | 28,016 |
| Net cash flows from (used in) financing activities | 2,493,855 | (587,902) |
| Effect of exchange rate changes on cash and cash equivalents | 77,216 | (23,059) |
| Net increase (decrease) in cash and cash equivalents | 3,803,637 | (1,327,617) |
| Cash and cash equivalents at beginning of period | 7,970,779 | 9,079,768 |
| Cash and cash equivalents at end of period | \$ 11,774,416 | 7,752,151 |

See accompanying notes to consolidated financial statements.

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

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2022 and 2021

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

(1) Company history

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

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

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

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

(3) New standards, amendments and interpretations adopted:

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

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

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

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

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

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

| <u>Standards or Interpretations</u> | <u>Content of amendment</u> | <u>Effective date per IASB</u> |
|---|---|--------------------------------|
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” | The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. | January 1, 2023 |

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

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

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

(4) Summary of significant accounting policies:

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation 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.

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

| Investor | Name of Subsidiary | Nature of operation | Percentage ownership | | | Description |
|-------------------------|---|---|----------------------|-------------------|---------------|-------------|
| | | | June 30, 2022 | December 31, 2021 | June 30, 2021 | |
| The Company | Arcadyan Technology N.A. Corp. ("Arcadyan USA") | Selling of wireless networking products | 100 % | 100 % | 100 % | |
| " | Arcadyan Germany Technology GmbH ("Arcadyan Germany") | Selling and technical support of wireless networking products | 100 % | 100 % | 100 % | Note 1 |
| " | Arcadyan Technology Corporation Korea ("Arcadyan Korea") | Selling of wireless networking products | 100 % | 100 % | 100 % | Note 1 |
| " | Arcadyan Holding (BVI) Corp. ("Arcadyan Holding") | Investment activities | 100 % | 100 % | 100 % | |
| The Company and ZHI-BAO | Arcadyan do Brasil Ltda. ("Arcadyan Brasil") | Selling of wireless networking products | 100 % | 100 % | 100 % | Note 1 |
| " | Arcadyan India Private Limited ("Arcadyan India") | Selling of wireless networking products | 100 % | 100 % | 100 % | Note 1、3 |
| The Company | ZHI-BAO Technology Inc. ("ZHI-BAO") | Investment activities | 100 % | 100 % | 100 % | |
| " | Tatung Technology Inc. ("TTI") | Research and development, and selling digital home appliance | 61 % | 61 % | 61 % | |
| " | AcBel Telecom Inc. ("AcBel Telecom") | Investment activities | 51 % | 51 % | 51 % | Note 1、2 |
| " | Arcadyan Technology Limited ("Arcadyan UK") | Technical support of wireless networking products | 100 % | 100 % | 100 % | Note 1 |
| " | Arcadyan Technology Australia Pty Ltd ("Arcadyan AU") | Selling of wireless networking products | 100 % | 100 % | 100 % | Note 1 |
| " | Arcadyan Technology Corporation (Russia), LLC ("Arcadyan RU") | Selling of wireless networking products | 100 % | 100 % | 100 % | Note 1 |
| Arcadyan Holding | Sinoprime Global Inc. ("Sinoprime") | Investment activities | 100 % | 100 % | 100 % | |
| " | Arcadyan Technology (Shanghai) Corp. ("SVA") | Research and development, and selling of wireless networking products | 100 % | 100 % | 100 % | |
| " | Arch Holding (BVI) Corp. ("Arch Holding") | Investment activities | 100 % | 100 % | 100 % | |
| Arch Holding | Compal Networking (Kunshan) Co., Ltd. ("CNC") | Manufacturing of wireless networking products | 100 % | 100 % | 100 % | |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| Investor | Name of Subsidiary | Nature of operation | Percentage ownership | | | Description |
|-----------|--|---|----------------------|-------------------|---------------|-------------|
| | | | June 30, 2022 | December 31, 2021 | June 30, 2021 | |
| Sinoprime | Arcadyan Technology (Vietnam) Co., Ltd. (“Arcadyan Vietnam”) | Manufacturing of wireless networking products | 100 % | 100 % | 100 % | |
| TTI | Quest International Group Co., Ltd. (“Quest”) | Investment activities | 100 % | 100 % | 100 % | |
| TTI | Tatung Technology of Japan Co., Ltd. (“TTJC”) | Selling of digital home appliance | 100 % | 100 % | 100 % | |
| Quest | Exquisite Electronic Co., Ltd. (“Exquisite”) | Investment activities | 100 % | 100 % | 100 % | |
| Exquisite | Tatung Home Appliances (Wujiang) Co., Ltd. (“TCH”) | Manufacturing of digital home appliance | 100 % | 100 % | 100 % | |

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

Note 2: The company had been resolved by the Board of Directors to be dissolved and liquidated on October 28, 2021.

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

(c) **Income Taxes**

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim 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 in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-time events.

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

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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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 2021 annual consolidated financial statements. Please refer to Note (6) of the 2021 annual consolidated financial statements.

(a) Cash and cash equivalents

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---------------------------------------|-----------------------------|------------------------------|--------------------------|
| Cash on hand | \$ 2,356 | 2,194 | 1,985 |
| Checking accounts and demand deposits | 4,533,282 | 3,292,553 | 2,225,759 |
| Time deposits | <u>7,238,778</u> | <u>4,676,032</u> | <u>5,524,407</u> |
| | <u>\$ 11,774,416</u> | <u>7,970,779</u> | <u>7,752,151</u> |

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

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

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|--|--------------------------|------------------------------|--------------------------|
| Current financial assets mandatorily measured at fair value through profit or loss: | | | |
| Derivative instruments not used for hedging: | | | |
| Foreign exchange forward contracts | \$ 27,458 | 17,264 | 11,137 |
| Foreign exchange swaps contracts | - | 2,449 | 7,688 |
| Non derivative financial assets: | | | |
| Structured deposits | - | - | 259,216 |
| Total | <u>\$ 27,458</u> | <u>19,713</u> | <u>278,041</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>\$ 50,754</u> | <u>37,475</u> | <u>40,217</u> |
| Held-for-trading financial liabilities: | | | |
| Derivative instruments not used for hedging: | | | |
| Foreign exchange forward contracts | \$ 270 | 1,589 | 8,398 |
| Foreign exchange swaps contracts | <u>49,950</u> | <u>-</u> | <u>2,609</u> |
| Total | <u>\$ 50,220</u> | <u>1,589</u> | <u>11,007</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. The following derivative instruments, without the application of hedge accounting, were classified as financial assets mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities:

| | June 30, 2022 | | |
|--|---|-----------------|--------------------------------------|
| | Contract amount (in thousands) | Currency | Maturity date |
| Derivative financial assets: | | | |
| Forward contracts: | | | |
| Foreign exchange forward | EUR 18,000 | Sell EUR / USD | July 14, 2022~ October 14, 2022 |
| Derivative financial liabilities: | | | |
| Forward contracts: | | | |
| Forward exchange forward | USD 800 | Buy USD / BRL | August 29, 2022 |
| Swap contracts: | | | |
| Foreign exchange swaps | USD 60,000 | B/S USD / TWD | July 14, 2022~ September 29, 2022 |
| | December 31, 2021 | | |
| | Contract amount (in thousands) | Currency | Maturity date |
| Derivative financial assets: | | | |
| Forward contracts: | | | |
| Foreign exchange forward | EUR 17,000 | Sell EUR / USD | January 14, 2022~ March 14, 2022 |
| Swap contracts: | | | |
| Foreign exchange swaps | USD 20,000 | B/S USD / TWD | February 14, 2022~ March 14, 2022 |
| Derivative financial liabilities: | | | |
| Forward contracts: | | | |
| Foreign exchange forward | USD 5,000 | Buy USD / CNH | January 26, 2022 |
| Foreign exchange forward | EUR 7,000 | Sell EUR / USD | February 18, 2022~ March 4, 2022 |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | June 30, 2021 | | |
|--|---|-----------------|---------------------------------------|
| | Contract amount (in thousands) | Currency | Maturity date |
| Derivative financial assets: | | | |
| Forward contracts: | | | |
| Foreign exchange forward | EUR 27,000 | Sell EUR / USD | July 14, 2021~ September 14, 2021 |
| Foreign exchange forward | USD 3,000 | Buy USD / CNH | September 14, 2021 |
| Swap contracts: | | | |
| Foreign exchange swaps | USD 37,000 | B/S USD / TWD | July 13, 2021~ August 30, 2021 |
| Derivative financial liabilities: | | | |
| Forward contracts: | | | |
| Foreign exchange forward | USD 23,000 | Buy USD / CNH | July 14, 2021~ August 13, 2021 |
| Forward exchange forward | USD 1,300 | Buy USD / BRL | August 26, 2021~ December 14, 2021 |
| Foreign exchange forward | USD 297 | Buy USD / RUB | August 30, 2020 |
| Swap contracts: | | | |
| Foreign exchange swaps | USD 23,500 | B/S USD / TWD | July 29, 2021~ September 15, 2021 |

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

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

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

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---|--------------------------|------------------------------|--------------------------|
| Equity investments at fair value through other comprehensive income: | | | |
| Stock unlisted on domestic markets | \$ <u>58,542</u> | <u>26,169</u> | <u>27,274</u> |

- (i) For the three months and six months ended June 30, 2022 and 2021, unrealized gains (loss) from above-mentioned equity investments measured at fair value were \$1,369 thousand, \$(4,389) thousand, \$32,373 thousand and \$(3,861) thousand, respectively, recognized under other comprehensive income.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (ii) There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments for the six months ended June 30, 2022 and 2021.
- (iii) Please refer to note (6)(w) for information of market risk.
- (iv) The Group did not provide any aforementioned financial assets as collaterals.
- (d) Derivative financial instruments used for hedging
- (i) Financial assets and liabilities used for hedging were as follows:

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|--|--------------------------|------------------------------|--------------------------|
| Cash flow hedge: | | | |
| Financial assets used for hedging: | | | |
| Foreign exchange forward contracts | \$ 56,591 | - | 18,050 |
| (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.

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

| | | June 30, 2022 | | | |
|---|-----|---|-----------------|--------------------------------------|---------------------------------|
| | | Contract amount (in thousands) | Currency | Maturity date | Average strike price |
| Derivative financial assets used for hedging | | | | | |
| Forward contracts: | | | | | |
| Foreign exchange forward | EUR | 18,000 | Sell EUR / USD | July 28, 2022~ September 29, 2022 | 1.1546 |
| | | June 30, 2021 | | | |
| | | Contract amount (in thousands) | Currency | Maturity date | Average strike price |
| Derivative financial assets used for hedging | | | | | |
| Forward contracts: | | | | | |
| Foreign exchange forward | EUR | 28,000 | Sell EUR / USD | July 29, 2021~ December 29, 2021 | 1.2149 |

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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 six months ended June 30, 2022 and 2021, the details of adjustments on reclassification from components of other comprehensive income were as follows:

| | For the three months ended | | For the six months ended | |
|---|-----------------------------------|---------------|---------------------------------|---------------|
| | June 30, | | June 30, | |
| | 2022 | 2021 | 2022 | 2021 |
| Cash flow hedge | | | | |
| Profit in current period | \$ 63,549 | 13,198 | 97,549 | 25,173 |
| Less: Net income of adjustments on reclassification from components of other comprehensive income which belongs to net income | <u>40,958</u> | <u>2,705</u> | <u>40,958</u> | <u>4,931</u> |
| Net profit recognized in other comprehensive income | <u>\$ 22,591</u> | <u>10,493</u> | <u>56,591</u> | <u>20,242</u> |

(iv) For the three months and six months ended June 30, 2022 and 2021, the ineffective portion of cash flow hedge recognized in gain or loss at fair value were amounted to \$31,715 thousand, \$0 thousand, \$31,715 thousand and \$0 thousand, respectively, were recognized under the “Gains (losses) on financial assets (liabilities) at fair value through profit or loss”.

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

(e) Notes and accounts receivable

| | June 30, | December 31, | June 30, |
|---|---------------------|---------------------|------------------|
| | 2022 | 2021 | 2021 |
| Notes receivable from operating activities | \$ 28,578 | 10,305 | 36,756 |
| Accounts receivable – measured at amortized cost | 7,252,479 | 7,411,501 | 7,289,368 |
| Accounts receivable – fair value through other comprehensive income | <u>467,850</u> | <u>298,642</u> | <u>161,705</u> |
| | 7,748,907 | 7,720,448 | 7,487,829 |
| Less: allowance for uncollectible accounts | <u>(37,043)</u> | <u>(28,152)</u> | <u>(27,293)</u> |
| | <u>\$ 7,711,864</u> | <u>7,692,296</u> | <u>7,460,536</u> |

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking macroeconomic information. The expected credit losses as of June 30, 2022, December 31 and June 30, 2021 were determined as follows:

| June 30, 2022 | | | | |
|----------------------|------------------------------|-----------------------------------|---------------------------------|------------------------|
| Credit rating | Gross carrying amount | Weighted-average loss rate | Loss allowance provision | Credit impaired |
| Level A | \$ 2,781,508 | 0% | - | No |
| Level B | 3,557,445 | 0.10% | 3,602 | No |
| Level C | 1,390,610 | 1.00% | 14,097 | No |
| Level D | - | - | - | - |
| Level E | <u>19,344</u> | 100% | <u>19,344</u> | Yes |
| Total | <u><u>\$ 7,748,907</u></u> | | <u><u>37,043</u></u> | |

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

| June 30, 2021 | | | | |
|----------------------|------------------------------|-----------------------------------|---------------------------------|------------------------|
| Credit rating | Gross carrying amount | Weighted-average loss rate | Loss allowance provision | Credit impaired |
| Level A | \$ 3,001,838 | 0% | - | No |
| Level B | 3,956,998 | 0.10% | 3,998 | No |
| Level C | 510,806 | 1.00% | 5,108 | No |
| Level D | - | - | - | - |
| Level E | <u>18,187</u> | 100% | <u>18,187</u> | Yes |
| Total | <u><u>\$ 7,487,829</u></u> | | <u><u>27,293</u></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:

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|-----------------------|--------------------------|------------------------------|--------------------------|
| Overdue 1~30 days | \$ 537,905 | 485,866 | 246,785 |
| Overdue 31~60 days | 180,048 | 133,034 | 21,835 |
| Overdue 61~90 days | 23,580 | 21,897 | - |
| Overdue 91~180 days | 15,691 | 12,376 | 7,739 |
| Overdue over 181 days | <u>38,683</u> | <u>25,726</u> | <u>18,187</u> |
| | <u>\$ 795,907</u> | <u>678,899</u> | <u>294,546</u> |

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

| | For the six months ended June 30, | |
|----------------------------|--|----------------------|
| | 2022 | 2021 |
| Balance at January 1 | \$ 28,152 | 26,831 |
| Impairment loss recognized | <u>8,891</u> | <u>462</u> |
| Balance at June 30 | <u>\$ 37,043</u> | <u>27,293</u> |

As of June 30, 2022, December 31 and June 30, 2021, 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 amounts are received when the accounts receivable are paid by the customers.

As of June 30, 2022, the Group has not transferred accounts receivable. As of December 31 and June 30, 2021, there were unreceived balances of transferred accounts receivable amounted to \$958 thousand and \$32,538 thousand, respectively, which were recognized under other receivables. The details of the derecognized account receivables were as follows:

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| June 30, 2021 | | | | | | | |
|---------------|---|------------------|------------------|---|------------|------------------------|---------------|
| Purchaser | Accounts receivable factored (gross) | Amount Unpaid | Advanced Paid | Amount Recognized in other receivables | Collateral | Amount derecognized | Interest rate |
| Financial | | | | | | | |
| institutions | \$ <u>304,097</u> | <u>-</u> | <u>271,559</u> | <u>32,538</u> | None | <u>304,097</u> | 0.64% |

(f) Inventories

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

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|------------------|----------------------|----------------------|-------------------|
| Raw materials | \$ 6,108,996 | 6,150,112 | 5,730,099 |
| Work in progress | 663,430 | 660,661 | 343,616 |
| Finished goods | <u>5,260,807</u> | <u>5,685,646</u> | <u>4,430,398</u> |
| | <u>\$ 12,033,233</u> | <u>12,496,419</u> | <u>10,504,113</u> |

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

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|--|------------------|--------------------------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Cost of sales and expenses | \$ 9,342,899 | 8,108,887 | 18,041,903 | 16,371,917 |
| Provision for inventory valuation and obsolescence loss | <u>42,033</u> | <u>188,705</u> | <u>227,966</u> | <u>193,749</u> |
| | <u>\$ 9,384,932</u> | <u>8,297,592</u> | <u>18,269,869</u> | <u>16,565,666</u> |

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) Investments accounted for using equity method

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

| | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> |
|---|--------------------------|------------------------------|--------------------------|
| Aggregate carrying amount of the Group's associates that are individually insignificant | \$ <u>311,961</u> | <u>324,178</u> | <u>341,226</u> |

Share of associates attributed to the Group were as follows:

| | <u>For the three months ended June 30,</u> | | <u>For the six months ended June 30,</u> | |
|--|--|--------------|--|--------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Net income (loss) from continuing operations | \$ (1,860) | 3,567 | (1,594) | 2,854 |
| Other comprehensive income (loss) | (34) | (13) | (7) | (104) |
| Total comprehensive income (loss) | \$ <u>(1,894)</u> | <u>3,554</u> | <u>(1,601)</u> | <u>2,750</u> |

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

(h) Property, plant and equipment

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

| | <u>Land</u> | <u>Buildings and construction</u> | <u>Machinery and equipment</u> | <u>Research and development equipment</u> | <u>Mold equipment</u> | <u>Leasehold improvement and other equipment</u> | <u>Construction in progress and prepayment for purchase of equipment</u> | <u>Total</u> |
|---------------------------------------|-------------------|---------------------------------------|--|---|---------------------------|--|--|------------------|
| Cost or deemed cost: | | | | | | | | |
| Balance at January 1, 2022 | \$ 878,978 | 1,512,417 | 2,484,758 | 697,267 | 222,181 | 462,135 | 19,129 | 6,276,865 |
| Additions | - | 6,133 | 423,041 | 22,029 | 7,738 | 23,985 | 53,908 | 536,834 |
| Reclassifications | - | 7,129 | 6,176 | - | - | 7,162 | (24,713) | (4,246) |
| Disposals and derecognitions | - | - | (78,608) | (68,676) | (685) | (23,528) | - | (171,497) |
| Effect of movements in exchange rates | - | 49,632 | 178,950 | 5,020 | 932 | 12,732 | 1,079 | 248,345 |
| Balance at June 30, 2022 | \$ <u>878,978</u> | <u>1,575,311</u> | <u>3,014,317</u> | <u>655,640</u> | <u>230,166</u> | <u>482,486</u> | <u>49,403</u> | <u>6,886,301</u> |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | 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 |
|---------------------------------------|-------------------|---------------------------------------|--|---|---------------------------|--|--|------------------|
| Balance at January 1, 2021 | \$ 463,262 | 828,128 | 2,196,610 | 587,071 | 212,438 | 723,336 | 28,249 | 5,039,094 |
| Additions | 415,716 | - | 221,540 | 43,984 | 10,797 | 18,155 | 305,842 | 1,016,034 |
| Reclassifications | - | - | 3,577 | 1,666 | - | (191,191) | 185,939 | (9) |
| Disposals and derecognitions | - | - | (150,371) | (2,979) | (8,351) | (10,242) | - | (171,943) |
| Effect of movements in exchange rates | - | - | (25,925) | (1,294) | (202) | (7,153) | (4,772) | (39,346) |
| Balance at June 30, 2021 | <u>\$ 878,978</u> | <u>828,128</u> | <u>2,245,431</u> | <u>628,448</u> | <u>214,682</u> | <u>532,905</u> | <u>515,258</u> | <u>5,843,830</u> |
| Depreciation: | | | | | | | | |
| Balance at January 1, 2022 | \$ - | 117,853 | 1,508,894 | 419,902 | 182,781 | 284,922 | - | 2,514,352 |
| Depreciation | - | 22,605 | 177,948 | 34,088 | 10,178 | 25,825 | - | 270,644 |
| Reclassifications | - | - | (1,506) | - | - | - | - | (1,506) |
| Disposals and derecognitions | - | - | (71,371) | (35,165) | (685) | (19,514) | - | (126,735) |
| Effect of movements in exchange rates | - | 638 | 100,657 | 1,996 | 361 | 7,383 | - | 111,035 |
| Balance at June 30, 2022 | <u>\$ -</u> | <u>141,096</u> | <u>1,714,622</u> | <u>420,821</u> | <u>192,635</u> | <u>298,616</u> | <u>-</u> | <u>2,767,790</u> |
| Balance at January 1, 2021 | \$ - | 98,676 | 1,562,332 | 383,779 | 176,630 | 299,668 | - | 2,521,085 |
| Depreciation | - | 8,534 | 107,079 | 29,689 | 8,476 | 38,399 | - | 192,177 |
| Reclassifications | - | - | - | - | - | (7) | - | (7) |
| Disposals and derecognitions | - | - | (150,365) | (2,977) | (8,349) | (9,638) | - | (171,329) |
| Effect of movements in exchange rates | - | - | (11,741) | (511) | (63) | (2,678) | - | (14,993) |
| Balance at June 30, 2021 | <u>\$ -</u> | <u>107,210</u> | <u>1,507,305</u> | <u>409,980</u> | <u>176,694</u> | <u>325,744</u> | <u>-</u> | <u>2,526,933</u> |
| Carrying amounts: | | | | | | | | |
| Balance at June 30, 2022 | <u>\$ 878,978</u> | <u>1,434,215</u> | <u>1,299,695</u> | <u>234,819</u> | <u>37,531</u> | <u>183,870</u> | <u>49,403</u> | <u>4,118,511</u> |
| Balance at January 1, 2022 | <u>\$ 878,978</u> | <u>1,394,564</u> | <u>975,864</u> | <u>277,365</u> | <u>39,400</u> | <u>177,213</u> | <u>19,129</u> | <u>3,762,513</u> |
| Balance at June 30, 2021 | <u>\$ 878,978</u> | <u>720,918</u> | <u>738,126</u> | <u>218,468</u> | <u>37,988</u> | <u>207,161</u> | <u>515,258</u> | <u>3,316,897</u> |
| Balance at January 1, 2021 | <u>\$ 463,262</u> | <u>729,452</u> | <u>634,278</u> | <u>203,292</u> | <u>35,808</u> | <u>423,668</u> | <u>28,249</u> | <u>2,518,009</u> |

- (i) In response to the demand of business operation, the Group decided to purchase land by a resolution of the Board of Directors on March 17, 2021. In addition, the Group has signed the land purchase agreement amounting to \$415,480 with non-related parties on April 7, 2021. The procedures of ownership-transfer has been completed and the relevant amount had been fully paid in the second quarter of 2021.
- (ii) As of June 30, 2022, December 31 and June 30, 2021, the Group did not provide any property, plant and equipment as collaterals.

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Right-of-use assets

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

| | <u>Land</u> | <u>Buildings</u> | <u>Machinery Equipment</u> | <u>Vehicles and Other</u> | <u>Total</u> |
|---------------------------------------|-------------------|------------------|--------------------------------|-------------------------------|-----------------|
| Cost or deemed cost: | | | | | |
| Balance at January 1, 2022 | \$ 297,707 | 360,109 | 81,081 | 16,530 | 755,427 |
| Additions | - | 16,003 | - | 7,832 | 23,835 |
| Disposal/write-off | - | (40,426) | (81,081) | (3,777) | (125,284) |
| Effect of movements in exchange rates | <u>21,403</u> | <u>19,628</u> | <u>-</u> | <u>-</u> | <u>41,031</u> |
| Balance at June 30, 2022 | <u>\$ 319,110</u> | <u>355,314</u> | <u>-</u> | <u>20,585</u> | <u>695,009</u> |
| Balance at January 1, 2021 | \$ 306,311 | 423,832 | 81,081 | 10,648 | 821,872 |
| Additions | - | - | - | 5,982 | 5,982 |
| Disposal/write-off | - | - | - | (4,755) | (4,755) |
| Effect of movements in exchange rates | <u>(6,292)</u> | <u>(5,702)</u> | <u>-</u> | <u>-</u> | <u>(11,994)</u> |
| Balance at June 30, 2021 | <u>\$ 300,019</u> | <u>418,130</u> | <u>81,081</u> | <u>11,875</u> | <u>811,105</u> |
| Depreciation: | | | | | |
| Balance at January 1, 2022 | \$ 11,973 | 108,727 | 41,891 | 6,529 | 169,120 |
| Depreciation | 3,389 | 42,611 | - | 3,610 | 49,610 |
| Disposal/Write-off | - | (17,639) | (41,891) | (3,777) | (63,307) |
| Effect of movements in exchange rates | <u>972</u> | <u>7,040</u> | <u>-</u> | <u>-</u> | <u>8,012</u> |
| Balance at June 30, 2022 | <u>\$ 16,334</u> | <u>140,739</u> | <u>-</u> | <u>6,362</u> | <u>163,435</u> |
| Balance at January 1, 2021 | \$ 5,600 | 60,568 | 25,675 | 6,605 | 98,448 |
| Depreciation | 3,323 | 45,973 | 8,108 | 2,407 | 59,811 |
| Disposal/write-off | - | - | - | (4,755) | (4,755) |
| Effect of movements in exchange rates | <u>(148)</u> | <u>(1,404)</u> | <u>-</u> | <u>-</u> | <u>(1,552)</u> |
| Balance at June 30, 2021 | <u>\$ 8,775</u> | <u>105,137</u> | <u>33,783</u> | <u>4,257</u> | <u>151,952</u> |
| Carrying amount: | | | | | |
| Balance on June 30, 2022 | <u>\$ 302,776</u> | <u>214,575</u> | <u>-</u> | <u>14,223</u> | <u>531,574</u> |
| Balance at January 1, 2022 | <u>\$ 285,734</u> | <u>251,382</u> | <u>39,190</u> | <u>10,001</u> | <u>586,307</u> |
| Balance at June 30, 2021 | <u>\$ 291,244</u> | <u>312,993</u> | <u>47,298</u> | <u>7,618</u> | <u>659,153</u> |
| Balance at January 1, 2021 | <u>\$ 300,711</u> | <u>363,264</u> | <u>55,406</u> | <u>4,043</u> | <u>723,424</u> |

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(j) Intangible Assets

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

| | <u>Goodwill</u> | <u>Authorization fee</u> | <u>Computer software and others</u> | <u>Total</u> |
|------------------|-----------------|------------------------------|---|----------------|
| Carrying amount: | | | | |
| June 30, 2022 | \$ <u>6,556</u> | <u>5,764</u> | <u>89,940</u> | <u>102,260</u> |
| January 1, 2022 | \$ <u>6,556</u> | <u>7,008</u> | <u>101,464</u> | <u>115,028</u> |
| June 30, 2021 | \$ <u>6,556</u> | <u>9,139</u> | <u>50,756</u> | <u>66,451</u> |
| January 1, 2021 | \$ <u>6,556</u> | <u>11,276</u> | <u>57,468</u> | <u>75,300</u> |

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

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

(k) Short-term borrowings

| | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> |
|--|--------------------------|------------------------------|--------------------------|
| Unsecured bank loans | \$ <u>6,906,344</u> | <u>4,363,580</u> | <u>1,489,951</u> |
| Unused credit line for short-term borrowings | \$ <u>7,418,338</u> | <u>6,236,932</u> | <u>8,225,898</u> |
| Annual interest rates | <u>0.05%~3.70%</u> | <u>0.05%~1.17%</u> | <u>0.48%~1.17%</u> |

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

(l) Other current liabilities

| | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> |
|---|--------------------------|------------------------------|--------------------------|
| Temporary receipts–non-recurring engineering revenue and collection on behalf of others | \$ 717,348 | 465,910 | 519,543 |
| Others | <u>501,667</u> | <u>268,889</u> | <u>126,512</u> |
| | <u>\$ 1,219,015</u> | <u>734,799</u> | <u>646,055</u> |

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Unsecured convertible bonds payable

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

| | <u>June 30,</u> <u>2022</u> | <u>December 31,</u> <u>2021</u> | <u>June 30,</u> <u>2021</u> |
|--|--|--|--------------------------------|
| Total convertible bonds issued | \$ 1,000,000 | 1,000,000 | 1,000,000 |
| Unamortized discounts on bonds payable | - | (1,433) | (11,978) |
| Unamortized issuance cost on bonds payable | - | (496) | (816) |
| Accumulated converted amount | (992,600) | (671,500) | (4,200) |
| Repayment of bonds payable | <u>(7,400)</u> | <u>-</u> | <u>-</u> |
| Balance of bonds payable as of the reporting date | <u>\$ -</u> | <u>326,571</u> | <u>983,006</u> |
| Conversion options included in equity components (recognized as capital surplus-stock options) | <u>\$ 361</u> | <u>15,987</u> | <u>48,463</u> |
| | <u>For the three months ended</u> <u>June 30,</u> | <u>For the six months ended</u> <u>June 30,</u> | |
| | <u>2022</u> | <u>2021</u> | <u>2022</u> |
| Interest expenses | <u>\$ 17</u> | <u>3,461</u> | <u>763</u> |
| | | | <u>6,918</u> |

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

- (ii) The maturity date of above mentioned convertible bonds was on June 6, 2022. The remaining bonds which were not converted will be repaid in cash at maturity with par value of \$7,400 according to the terms of conversion.
- (iii) From January 1 to June 6, 2022, and for the six months ended June 30, 2021, the convertible bonds with a par value of \$321,100 and \$4,200 were converted into ordinary shares of the Company with \$38,920 and \$479, and the capital surplus were recognized with \$296,640 and \$3,856 (including the stock options reclassified as additional paid-in capital of \$15,626 and \$204 and the unamortized discounts on bonds payable of \$1,166 and \$69).
- (iv) The Group did not issue or repurchase bonds for the period from January 1 to June 6, 2022, and for the six months ended June 30, 2021. Please refer to Note (6)(m) of the 2021 annual consolidated financial statements for other related information.

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(n) Lease liabilities

The details of lease liabilities were as follows:

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|-------------|--------------------------|------------------------------|--------------------------|
| Current | <u>\$ 90,354</u> | <u>86,426</u> | <u>81,891</u> |
| Non-current | <u>\$ 153,066</u> | <u>197,303</u> | <u>259,103</u> |

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

The amounts recognized in profit or loss were as follows:

| | For the three months ended June 30, | | For the six months ended June 30, | |
|--|--|--------------|--|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| Interest expense on lease liabilities | <u>\$ 2,444</u> | <u>3,001</u> | <u>5,279</u> | <u>6,219</u> |
| Expenses relating to short-term leases | <u>\$ 6,033</u> | <u>9,996</u> | <u>14,682</u> | <u>21,080</u> |

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

| | For the six months ended June 30, | |
|-------------------------------|--|---------------|
| | 2022 | 2021 |
| Total cash outflow for leases | <u>\$ 64,842</u> | <u>70,924</u> |

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

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

(ii) Other leases

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

(o) Provisions

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

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(p) Employee benefits

(i) Defined benefit plans

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

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

| | For the three months ended | | For the six months ended | |
|-----------------------------------|-----------------------------------|-------------|---------------------------------|-------------|
| | June 30, | | June 30, | |
| | 2022 | 2021 | 2022 | 2021 |
| Operating costs | \$ 39 | 65 | 80 | 142 |
| Selling expenses | 37 | 54 | 83 | 113 |
| Administrative expenses | 83 | 73 | 167 | 155 |
| Research and development expenses | 196 | 232 | 379 | 532 |
| | <u>\$ 355</u> | <u>424</u> | <u>709</u> | <u>942</u> |

(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 six months ended June 30, 2022 and 2021 were as follows:

| | For the three months ended | | For the six months ended | |
|-----------------------------------|-----------------------------------|---------------|---------------------------------|---------------|
| | June 30, | | June 30, | |
| | 2022 | 2021 | 2022 | 2021 |
| Operating costs | \$ 458 | 927 | \$ 929 | 1,839 |
| Selling expenses | 1,061 | 1,271 | 2,188 | 2,544 |
| Administrative expenses | 1,680 | 1,263 | 3,441 | 2,528 |
| Research and development expenses | 9,220 | 9,256 | 18,775 | 18,251 |
| | <u>\$ 12,419</u> | <u>12,717</u> | <u>25,333</u> | <u>25,162</u> |

Other subsidiaries recognized the pension expenses, basic endowment insurance expenses, and social welfare expenses amounting to \$10,507, \$13,542, \$29,920 and \$26,935 for the three months and six months ended June 30, 2022 and 2021, respectively.

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) Income taxes

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

The amount of income tax expenses were as follows:

| | For the three months ended | | For the six months ended | |
|--------------------|-----------------------------------|----------------|---------------------------------|----------------|
| | June 30, | | June 30, | |
| | 2022 | 2021 | 2022 | 2021 |
| Income tax expense | <u>\$ 140,183</u> | <u>123,126</u> | <u>272,481</u> | <u>251,924</u> |

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

| | For the three months ended | | For the six months ended | |
|---|-----------------------------------|-----------------|---------------------------------|-----------------|
| | June 30, | | June 30, | |
| | 2022 | 2021 | 2022 | 2021 |
| Items that might be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translation of foreign financial statements | \$ (15,660) | (11,359) | - | (11,325) |
| Gain on hedging instrument | 11,318 | - | 11,318 | - |
| | <u>\$ (4,342)</u> | <u>(11,359)</u> | <u>11,318</u> | <u>(11,325)</u> |

- (ii) The ROC tax authorities have examined the income tax returns of the Company and ZHI-BAO through 2020, and TTI through 2019. 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.

(r) Capital and other equities

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

(i) Ordinary shares

In 2018, the Company issued its employee restricted shares amounting to \$45,000, wherein the amount of \$303 and \$329, respectively, had been cancelled due to failure in meeting the vested requirements for the six months ended June 30, 2022 and 2021. As of the reporting date, the registration procedures had been completed.

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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For the six months ended June 30, 2022 and 2021, by the request of bonds holders, the convertible bonds issued by the Company were converted into ordinary shares of \$38,920 with 3,892 thousand and \$479 with 48 thousand new shares issued at par value, respectively. As of the reporting date, the registration procedures had been completed.

(ii) Capital surplus

| | <u>June 30,</u> <u>2022</u> | <u>December 31,</u> <u>2021</u> | <u>June 30,</u> <u>2021</u> |
|--|--------------------------------|------------------------------------|--------------------------------|
| Additional paid-in capital-premium | \$ 4,022,250 | 3,943,016 | 3,283,938 |
| 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 | 3,057 | - | 5,488 |
| Issuance of convertible bonds | 361 | 15,987 | 48,463 |
| Issuance of employee restricted shares | <u>70,002</u> | <u>69,699</u> | <u>115,497</u> |
| | <u>\$ 4,099,368</u> | <u>4,032,400</u> | <u>3,457,084</u> |

The capital surplus resulted from the conversion of unsecured convertible bonds converted into ordinary shares for the six months ended June 30, 2022 and 2021 were \$296,640 and \$3,856, respectively (including the stock options reclassified as additional paid in capital-premium of \$15,626 and \$204 and the unamortized discounts on bonds payable of \$1,166 and \$69).

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

(iii) Retained earnings

The Company's article of incorporation stipulates that Company's net earnings due should first be used to offset the prior years' deficits, if any, before paying any income taxes. Due of the remaining balance, 10% is to be appropriated as legal reserve. The legal reserve can be exempted if it equals to the paid-in capital, besides, special reserves are supposed to be set aside or reversed in accordance with the relevant regulations or as required by the authorities. And then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan approved by the Board of Directors.

The retained earnings distributed to stockholders by cash should be approved by the Board of Directors which is authorized by the Company's article of incorporation. The Company authorizes the Board of Directors with two-thirds or more of attendance, and over half of those to approve issuing all or part of cash dividends, capital surplus or legal reverse by cash, and report such distribution to the stockholders' meeting.

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

(iv) Earnings distributed

Earnings distribution for 2022 and 2021 was approved by the shareholders meeting held on June 15, 2022 and on August 26, 2021, respectively. The relevant dividend distribution to shareholders were as follows:

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

(s) Share-based payment

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

(t) Earnings per share

| | <u>For the three months ended June 30,</u> | | <u>For the six months ended June 30,</u> | |
|---|--|-----------------------|--|-----------------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Basic earnings per share | | | | |
| Net income attributable to ordinary shareholders of the Company | \$ <u><u>427,401</u></u> | <u><u>381,395</u></u> | <u><u>817,226</u></u> | <u><u>835,812</u></u> |
| Weighted average number of ordinary shares (in thousands) | <u><u>218,910</u></u> | <u><u>206,151</u></u> | <u><u>217,570</u></u> | <u><u>206,129</u></u> |
| | \$ <u><u>1.95</u></u> | <u><u>1.85</u></u> | <u><u>3.76</u></u> | <u><u>4.05</u></u> |
| Diluted earnings per share | | | | |
| Net income attributable to ordinary shareholders of the Company (diluted) | \$ <u><u>427,418</u></u> | <u><u>384,856</u></u> | <u><u>817,989</u></u> | <u><u>842,730</u></u> |

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | For the three months ended | | For the six months ended | |
|---|-----------------------------------|-----------------------|---------------------------------|-----------------------|
| | June 30, | | June 30, | |
| | 2022 | 2021 | 2022 | 2021 |
| Weighted average number of ordinary shares (in thousands) | 218,910 | 206,151 | 217,570 | 206,129 |
| Effect of dilutive potential ordinary shares: | | | | |
| Effect of remuneration to employees | 1,132 | 1,378 | 2,206 | 2,485 |
| Effect of employee restricted shares unvested | 1,237 | 1,899 | 1,247 | 1,894 |
| Convertible bonds payable | <u>252</u> | <u>12,070</u> | <u>1,604</u> | <u>12,092</u> |
| Weighted-average number of ordinary shares (diluted) (in thousands) | <u>221,531</u> | <u>221,498</u> | <u>222,627</u> | <u>222,600</u> |
| | <u>\$ 1.93</u> | <u>1.74</u> | <u>3.67</u> | <u>3.79</u> |

(u) Revenue from contracts with customers

(i) Details of revenue

| | For the three months ended | | For the six months ended | |
|-------------------------------|-----------------------------------|-------------------------|---------------------------------|--------------------------|
| | June 30, | | June 30, | |
| | 2022 | 2021 | 2022 | 2021 |
| Primary geographical markets: | | | | |
| America | \$ 5,011,187 | 1,762,708 | 8,544,309 | 4,289,860 |
| Europe | 3,715,449 | 5,616,375 | 8,533,552 | 10,836,385 |
| Asia and others | <u>2,161,561</u> | <u>2,169,279</u> | <u>4,110,015</u> | <u>4,046,932</u> |
| | <u>\$ 10,888,197</u> | <u>9,548,362</u> | <u>21,187,876</u> | <u>19,173,177</u> |
| Major products: | | | | |
| Mobility Solution | 4,123,998 | 261,679 | 6,390,265 | 545,895 |
| Smart Home Solution | 3,823,958 | 5,872,855 | 8,753,303 | 11,793,407 |
| Broadband Solution | 2,602,461 | 3,158,317 | 5,282,090 | 6,402,983 |
| Others | <u>337,780</u> | <u>255,511</u> | <u>762,218</u> | <u>430,892</u> |
| | <u>\$ 10,888,197</u> | <u>9,548,362</u> | <u>21,187,876</u> | <u>19,173,177</u> |

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Contract balances

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|--|----------------------------|------------------------------|--------------------------|
| Notes and accounts receivable | \$ 7,748,907 | 7,720,448 | 7,487,829 |
| Less: allowance for uncollectible accounts | <u>(37,043)</u> | <u>(28,152)</u> | <u>(27,293)</u> |
| Total | <u>\$ 7,711,864</u> | <u>7,692,296</u> | <u>7,460,536</u> |

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

(v) Remuneration to employees and directors

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

The employee remuneration amounted to \$71,871, \$66,026, \$135,911 and \$146,745 for the three months and six months ended June 30, 2022 and 2021, respectively. The remuneration of directors amounted to \$3,954, \$3,692, \$7,556 and \$8,044 for the three months and six months ended June 30, 2022 and 2021, respectively.

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

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(w) Financial instruments

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

(i) Credit risk

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

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

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

| | <u>Other receivables</u> |
|----------------------------|--------------------------|
| Balance at January 1, 2022 | \$ 3 |
| Impairment loss recognized | <u>37</u> |
| Balance at June 30, 2022 | <u>\$ 40</u> |
| Balance at January 1, 2021 | \$ 45 |
| Impairment loss reversed | <u>(9)</u> |
| Balance at June 30, 2021 | <u>\$ 36</u> |

(ii) Liquidity risk

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

| June 30, 2022 | <u>Carrying Amount</u> | <u>Contractual cash flows</u> | <u>Within 1 year</u> | <u>1 ~ 2 years</u> | <u>Over 2 years</u> |
|--|----------------------------|-----------------------------------|----------------------|--------------------|---------------------|
| Non-derivative financial liabilities | | | | | |
| Unsecured bank loans | \$ 6,906,344 | (6,906,344) | (6,906,344) | - | - |
| Accounts payable (including related parties) | 9,463,061 | (9,463,061) | (9,463,061) | - | - |
| Other payables (including related parties) | 4,179,883 | (4,179,883) | (4,179,883) | - | - |
| Dividends payable | 1,478,382 | (1,478,382) | (1,478,382) | - | - |
| Lease liability – current and non-current | 243,420 | (256,635) | (98,056) | (87,279) | (71,300) |
| Deposits received | 33,192 | (33,192) | (33,192) | - | - |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | <u>Carrying Amount</u> | <u>Contractual cash flows</u> | <u>Within 1 year</u> | <u>1 ~ 2 years</u> | <u>Over 2 years</u> |
|--|----------------------------|-----------------------------------|----------------------|--------------------|---------------------|
| Derivative financial liabilities | | | | | |
| Other foreign exchange forward contracts: | 270 | | | | |
| Outflow | | (24,200) | (24,200) | - | - |
| Inflow | | 23,736 | 23,736 | - | - |
| Foreign exchange swaps | 49,950 | | | | |
| Outflow | | (1,780,200) | (1,780,200) | - | - |
| Inflow | | 1,731,020 | 1,731,020 | - | - |
| | <u>\$ 22,354,502</u> | <u>(22,367,141)</u> | <u>(22,208,562)</u> | <u>(87,279)</u> | <u>(71,300)</u> |
| December 31, 2021 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Unsecured bank loans | \$ 4,363,580 | (4,363,580) | (4,363,580) | - | - |
| Accounts payable (including related parties) | 9,785,660 | (9,785,660) | (9,785,660) | - | - |
| Other payables | 3,844,578 | (3,844,578) | (3,844,578) | - | - |
| Dividends payable | 10 | (10) | (10) | - | - |
| Bonds payable | 326,571 | (328,500) | (328,500) | - | - |
| Lease liability— current and non-current | 283,729 | (302,673) | (96,175) | (91,218) | (115,280) |
| Deposits received | 29,711 | (29,711) | (29,711) | - | - |
| Derivative financial liabilities | | | | | |
| Other foreign exchange forward: | 1,589 | | | | |
| Outflow | | (358,895) | (358,895) | - | - |
| Inflow | | 357,183 | 357,183 | - | - |
| | <u>\$ 18,635,428</u> | <u>(18,656,424)</u> | <u>(18,449,926)</u> | <u>(91,218)</u> | <u>(115,280)</u> |

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| June 30, 2021 | <u>Carrying Amount</u> | <u>Contractual cash flows</u> | <u>Within 1 year</u> | <u>1 ~ 2 years</u> | <u>Over 2 years</u> |
|--|----------------------------|-----------------------------------|----------------------|--------------------|---------------------|
| Non-derivative financial liabilities | | | | | |
| Unsecured bank loans | \$ 1,489,951 | (1,489,951) | (1,489,951) | - | - |
| Accounts payable (including related parties) | 11,940,423 | (11,940,423) | (11,940,423) | - | - |
| Other payables (including related parties) | 3,244,621 | (3,244,621) | (3,244,621) | - | - |
| Dividends payable | 10 | (10) | (10) | - | - |
| Bonds payable | 983,006 | (995,800) | (995,800) | - | - |
| Lease liability— current and non-current | 340,994 | (364,247) | (92,040) | (89,578) | (182,629) |
| Deposits received | 30,165 | (30,165) | (30,165) | - | - |
| Derivative financial liabilities | | | | | |
| Other foreign exchange forward contracts: | 8,398 | | | | |
| Outflow | | (696,990) | (696,990) | - | - |
| Inflow | | 686,142 | 686,142 | - | - |
| Foreign exchange swaps: | 2,609 | | | | |
| Outflow | | (655,533) | (655,533) | - | - |
| Inflow | | 652,289 | 652,289 | - | - |
| | <u>\$ 18,040,177</u> | <u>(18,079,309)</u> | <u>(17,807,102)</u> | <u>(89,578)</u> | <u>(182,629)</u> |

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

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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

| | June 30, 2022 | | | December 31, 2021 | | | June 30, 2021 | | |
|-----------------------|------------------|-------------------|------------|-------------------|-------------------|------------|------------------|--------------------|------------|
| | Foreign currency | Exchange rate | TWD | Foreign currency | Exchange rate | TWD | Foreign currency | Exchange rate | TWD |
| Financial assets | | | | | | | | | |
| Monetary items | | | | | | | | | |
| USD | \$ 762,578 | USD/TWD =29.67 | 22,625,689 | 484,260 | USD/TWD =27.68 | 13,404,317 | 452,390 | USD/TWD =27.895 | 12,619,419 |
| EUR | 57,918 | EUR/TWD =31.19 | 1,806,462 | 52,311 | EUR/TWD =31.32 | 1,638,381 | 45,694 | EUR/TWD =33.23 | 1,518,412 |
| Financial liabilities | | | | | | | | | |
| USD | 748,945 | USD/TWD =29.67 | 22,221,198 | 600,011 | USD/TWD =27.68 | 16,608,304 | 533,233 | USD/TWD =27.895 | 14,874,535 |
| EUR | 34,885 | EUR/TWD =31.19 | 1,088,063 | 27,365 | EUR/TWD =31.32 | 857,072 | 5,119 | EUR/TWD =33.23 | 170,104 |

2) Sensitivity analysis

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

| | <u>June 30, 2022</u> | <u>June 30, 2021</u> |
|-----------------------|----------------------|----------------------|
| USD (against the TWD) | | |
| Strengthening 5% | \$ 20,225 | (112,756) |
| Weakening 5% | (20,225) | 112,756 |
| EUR (against the TWD) | | |
| Strengthening 5% | 35,920 | 67,415 |
| Weakening 5% | (35,920) | (67,415) |

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 six months ended June 30, 2022 and 2021, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$37,044, \$(26,909), \$85,750 and \$(124,032), respectively.

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Interest rate analysis

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

| | Carrying amount | |
|-------------------------------------|-----------------------------|-----------------------------|
| | <u>June 30, 2022</u> | <u>June 30, 2021</u> |
| Fixed rate financial instrument: | | |
| Financial assets | \$ 7,238,778 | 5,524,407 |
| Financial liabilities | <u>(6,906,344)</u> | <u>(2,472,957)</u> |
| | <u>\$ 332,434</u> | <u>3,051,450</u> |
| Variable rate financial instrument: | | |
| Financial assets | <u>\$ 4,533,071</u> | <u>2,224,808</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%, assuming all other variables remaining constant, the net profit before tax would have increased or decreased by \$5,666 and \$2,781 for the six months ended June 30, 2022 and 2021, respectively, which would be mainly resulted from the bank deposits with variable interest rates.

(v) Fair value

1) The categories of financial instruments and fair value

The fair value of financial assets and liabilities at fair value through profit or loss, financial instruments used for hedging are measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows. However, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required.

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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| | June 30, 2022 | | | | |
|---|----------------------|------------|---------|---------|---------|
| | Book value | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets at fair value through profit or loss—current and non-current | | | | | |
| Derivative financial assets | \$ 27,458 | - | 27,458 | - | 27,458 |
| Non derivative financial assets mandatorily measured at fair value through profit or loss | <u>50,754</u> | - | - | 50,754 | 50,754 |
| Subtotal | <u>78,212</u> | | | | |
| Financial assets used for hedging | <u>56,591</u> | - | 56,591 | - | 56,591 |
| Financial assets measured at fair value through other comprehensive income | | | | | |
| Stocks unlisted on domestic markets | 58,542 | - | - | 58,542 | 58,542 |
| Accounts receivable | <u>467,850</u> | - | 467,850 | - | 467,850 |
| Subtotal | <u>526,392</u> | | | | |
| Financial assets measured at amortized cost: | | | | | |
| Cash and cash equivalents | 11,774,416 | - | - | - | - |
| Notes and accounts receivable, net | 7,244,014 | - | - | - | - |
| Other receivables | 83,751 | - | - | - | - |
| Refundable deposits | <u>62,624</u> | - | - | - | - |
| Subtotal | <u>19,164,805</u> | | | | |
| Total | <u>\$ 19,826,000</u> | | | | |
| Financial liabilities at fair value through profit or loss | | | | | |
| Derivative financial liabilities | \$ <u>50,220</u> | - | 50,220 | - | 50,220 |
| Financial liabilities measured at amortized cost | | | | | |
| Short-term borrowings | 6,906,344 | - | - | - | - |
| Accounts payable (including related parties) | 9,463,061 | - | - | - | - |
| Other payables (including related parties) | 4,179,883 | - | - | - | - |
| Dividends payable | 1,478,382 | - | - | - | - |
| Lease liabilities—current and non-current | 243,420 | - | - | - | - |
| Deposits received | <u>33,192</u> | - | - | - | - |
| Subtotal | <u>22,304,282</u> | | | | |
| Total | <u>\$ 22,354,502</u> | | | | |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | December 31, 2021 | | | | |
|---|----------------------|------------|---------|---------|---------|
| | Carrying amount | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets at fair value through profit or loss — current and non-current | | | | | |
| Derivative financial assets | \$ 19,713 | - | 19,713 | - | 19,713 |
| Non-derivative financial assets mandatorily measured at fair value through profit or loss | <u>37,475</u> | - | - | 37,475 | 37,475 |
| Subtotal | <u>57,188</u> | | | | |
| Financial assets measured at fair value through other comprehensive income | | | | | |
| Stocks unlisted on domestic markets | 26,169 | - | - | 26,169 | 26,169 |
| Accounts receivable | <u>298,642</u> | - | 298,642 | - | 298,642 |
| Subtotal | <u>324,811</u> | | | | |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 7,970,779 | - | - | - | - |
| Notes and accounts receivable, net | 7,393,654 | - | - | - | - |
| Other receivables (including related parties) | 98,994 | - | - | - | - |
| Refundable deposits | <u>112,868</u> | - | - | - | - |
| Subtotal | <u>15,576,295</u> | | | | |
| Total | <u>\$ 15,958,294</u> | | | | |
| Financial liabilities at fair value through profit or loss | | | | | |
| Derivative financial liabilities | \$ <u>1,589</u> | - | 1,589 | - | 1,589 |
| Financial liabilities at amortized cost | | | | | |
| Short-term borrowings | 4,363,580 | - | - | - | - |
| Accounts payable (including related parties) | 9,785,660 | - | - | - | - |
| Other payables | 3,844,578 | - | - | - | - |
| Dividends payable | 10 | - | - | - | - |
| Bonds payable | 326,571 | - | - | - | - |
| Lease liabilities—current and non-current | 283,729 | - | - | - | - |
| Deposits received | <u>29,711</u> | - | - | - | - |
| Subtotal | <u>18,633,839</u> | | | | |
| Total | <u>\$ 18,635,428</u> | | | | |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | June 30, 2021 | | | | |
|---|-----------------------------|------------|---------|---------|---------|
| | Book value | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets at fair value through profit or loss — current and non-current | | | | | |
| Derivative financial assets | \$ 18,825 | - | 18,825 | - | 18,825 |
| Non-derivative financial assets mandatorily measured at fair value through profit or loss | <u>299,433</u> | - | 259,216 | 40,217 | 299,433 |
| Subtotal | <u>318,258</u> | | | | |
| Financial assets for hedging | <u>18,050</u> | - | 18,050 | - | 18,050 |
| Financial assets measured at fair value through other comprehensive income | | | | | |
| Stocks unlisted in domestic markets | 27,274 | - | - | 27,274 | 27,274 |
| Accounts receivable | <u>161,705</u> | - | 161,705 | - | 161,705 |
| Subtotal | <u>188,979</u> | | | | |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 7,752,151 | - | - | - | - |
| Notes and accounts receivable, net | 7,298,831 | - | - | - | - |
| Other receivables (including related parties) | 234,355 | - | - | - | - |
| Refundable deposits | <u>94,442</u> | - | - | - | - |
| Subtotal | <u>15,379,779</u> | | | | |
| Total | <u>\$ 15,905,066</u> | | | | |
| Financial liabilities at fair value through profit or loss | | | | | |
| Derivative financial liabilities | \$ <u>11,007</u> | - | 11,007 | - | 11,007 |
| Financial liabilities at amortized cost | | | | | |
| Short-term borrowings | 1,489,951 | - | - | - | - |
| Accounts payable (including related parties) | 11,940,423 | - | - | - | - |
| Other payables (including related parties) | 3,244,621 | - | - | - | - |
| Dividends payable | 10 | - | - | - | - |
| Bonds payable | 983,006 | - | - | - | - |
| Lease liabilities—current and non-current | 340,994 | - | - | - | - |
| Deposits received | <u>30,165</u> | - | - | - | - |
| Subtotal | <u>18,029,170</u> | | | | |
| Total | <u>\$ 18,040,177</u> | | | | |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

a) Financial assets and financial liabilities measured at amortized cost

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

3) Valuation technique for financial instruments measured at fair value

a) Non-derivative financial instruments

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

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

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

b) Derivative financial instruments

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

4) Transfers between Level 1 and Level 2

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

5) Reconciliation of Level 3 fair values

| | <u>Fair value through profit of loss</u> | <u>Fair value through other comprehensive income</u> |
|-----------------------------------|--|--|
| | Non-derivative financial assets mandatorily measured at fair value through profit or loss | Unquoted equity instruments |
| Balance at January 1, 2022 | \$ 37,475 | 26,169 |
| Total gains and losses recognized | | |
| In profit or loss | 13,279 | - |
| In other comprehensive income | - | 32,373 |
| Balance at June 30, 2022 | <u>\$ 50,754</u> | <u>58,542</u> |
| Balance at January 1, 2021 | \$ 42,840 | 31,135 |
| Total gains and losses recognized | | |
| In profit or loss | (2,623) | - |
| In other comprehensive income | - | (3,861) |
| Balance at June 30, 2021 | <u>\$ 40,217</u> | <u>27,274</u> |

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

| | <u>For the three months ended June 30,</u> | | <u>For the six months ended June 30,</u> | |
|--|--|----------------|--|----------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Total gains and losses recognized: | | | | |
| In profit or loss, and presented in “Gains and losses on financial assets(liabilities) at fair value through profit or loss” | <u>\$ 11,781</u> | <u>(1,662)</u> | <u>13,279</u> | <u>(2,623)</u> |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | For the three months ended | | For the six months ended | |
|--|----------------------------|----------------|--------------------------|----------------|
| | June 30, | | June 30, | |
| | 2022 | 2021 | 2022 | 2021 |
| In other comprehensive income, and presented in “unrealized gains and losses from investments in equity instruments measured at fair value through other comprehensive income” | \$ <u>1,369</u> | <u>(4,389)</u> | <u>32,373</u> | <u>(3,861)</u> |

- 6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group’s financial instruments that use Level 3 inputs to measure fair value include “financial assets measured at fair value through profit or loss – investments in private equity fund” and “financial assets measured at fair value through other comprehensive income – equity investments”.

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

Quantified information of significant unobservable inputs were as follows:

| Item | Valuation technique | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|----------------------------|--|---|
| Financial assets at fair value through other comprehensive income– equity investment without an active market | Comparable market approach | <ul style="list-style-type: none"> · Price-Book ratio multiples (1.30~3.40, 1.58~5.31 and 1.54~5.20 on June 30, 2022, December 31 and June 30, 2021, respectively) · Lack-of-Marketability discount rate (30% on June 30, 2022, December 31 and June 30, 2021) | <ul style="list-style-type: none"> · The higher the multiple is , the higher the fair value will be. · The higher the Lack-of-Marketability discount rate is, the lower the fair value will be. |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| <u>Item</u> | <u>Valuation technique</u> | <u>Significant unobservable inputs</u> | <u>Inter-relationship between significant unobservable inputs and fair value measurement</u> |
|--|----------------------------|--|--|
| Financial assets at fair value through 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</u> | <u>Unfavorable</u> |
| June 30, 2022 | | | | |
| Financial assets measured at fair value through other comprehensive income | Price-Book ratio multiples | 5% | \$ <u>2,191</u> | <u>2,172</u> |
| | Lack-of-Marketability discount rate | 5% | \$ <u>936</u> | <u>924</u> |
| December 31, 2021 | | | | |
| Financial assets measured at fair value through other comprehensive income | Price-Book ratio multiples | 5% | \$ <u>1,356</u> | <u>1,327</u> |
| | Lack-of-Marketability discount rate | 5% | \$ <u>573</u> | <u>573</u> |
| June 30, 2021 | | | | |
| Financial assets at fair value through other comprehensive income | Price-Book ratio multiples | 5% | \$ <u>1,401</u> | <u>1,377</u> |
| | Lack-of-Marketability discount rate | 5% | \$ <u>606</u> | <u>590</u> |

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

8) Offsetting financial assets and financial liabilities

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

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

Unit: In thousand dollars of TWD and USD

| June 30, 2022 | | | | | | |
|--|---|---|--|---|--------------------------------|---------------------------|
| Financial assets that are offset which have an exercisable master netting arrangement or similar agreement | | | | | | |
| | Gross amounts of recognized financial assets (a) | Gross amounts of financial assets offset in the balance sheet (b) | Net amount of financial assets presented in the balance sheet (c)=(a) (b) | Amounts not off set in the balance sheet (d) | | Net amount (e)=(c) (d) |
| | | | | Financial instruments | Cash collateral received | |
| Other current assets | \$ 5,276,899 | 5,276,899 | - | - | - | - |
| | (USD 177,853) | (USD 177,853) | | | | |

| June 30, 2022 | | | | | | |
|---|--|---|--|---|--------------------------------|---------------------------|
| Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement | | | | | | |
| | Gross amounts of recognized financial liabilities (a) | Gross amounts of financial liabilities offset in the balance sheet (b) | Net amount of financial liabilities presented in the balance sheet (c)=(a) (b) | Amounts not off set in the balance sheet (d) | | Net amount (e)=(c) (d) |
| | | | | Financial instruments | Cash collateral received | |
| Short-term borrowings | \$ 5,276,899 | 5,276,899 | - | - | - | - |
| | (USD 177,853) | (USD 177,853) | | | | |

| December 31, 2021 | | | | | | |
|--|---|---|--|---|--------------------------------|---------------------------|
| Financial assets that are offset which have an exercisable master netting arrangement or similar agreement | | | | | | |
| | Gross amounts of recognized financial assets (a) | Gross amounts of financial assets offset in the balance sheet (b) | Net amount of financial assets presented in the balance sheet (c)=(a) (b) | Amounts not off set in the balance sheet (d) | | Net amount (e)=(c) (d) |
| | | | | Financial instruments | Cash collateral received | |
| Other current assets | \$ 8,300,236 | 8,300,236 | - | - | - | - |
| | (USD 299,864) | (USD 299,864) | | | | |

| December 31, 2021 | | | | | | |
|---|--|---|--|---|--------------------------------|---------------------------|
| Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement | | | | | | |
| | Gross amounts of recognized financial liabilities (a) | Gross amounts of financial liabilities offset in the balance sheet (b) | Net amount of financial liabilities presented in the balance sheet (c)=(a) (b) | Amounts not off set in the balance sheet (d) | | Net amount (e)=(c) (d) |
| | | | | Financial instruments | Cash collateral received | |
| Short-term borrowings | \$ 8,300,236 | 8,300,236 | - | - | - | - |
| | (USD 299,864) | (USD 299,864) | | | | |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| June 30, 2021 | | | | | | |
|--|---|---|--|---|--------------------------------|---------------------------|
| Financial assets that are offset which have an exercisable master netting arrangement or similar agreement | | | | | | |
| | Gross amounts of recognized financial assets (a) | Gross amounts of financial assets offset in the balance sheet (b) | Net amount of financial assets presented in the balance sheet (c)=(a) (b) | Amounts not off set in the balance sheet (d) | | Net amount (e)=(c) (d) |
| | | | | Financial instruments | Cash collateral received | |
| Other current assets | \$ 6,911,988 | 6,911,988 | - | - | - | - |
| | (USD 247,786) | (USD 247,786) | | | | |

| June 30, 2021 | | | | | | |
|---|--|---|--|---|--------------------------------|---------------------------|
| Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement | | | | | | |
| | Gross amounts of recognized financial liabilities (a) | Gross amounts of financial liabilities offset in the balance sheet (b) | Net amount of financial liabilities presented in the balance sheet (c)=(a) (b) | Amounts not off set in the balance sheet (d) | | Net amount (e)=(c) (d) |
| | | | | Financial instruments | Cash collateral received | |
| Short-term borrowings | \$ 6,911,988 | 6,911,988 | - | - | - | - |
| | (USD 247,786) | (USD 247,786) | | | | |

(x) Financial risk management

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

(y) Capital management

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

(z) Investing and financing activities not affecting cash flow

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

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

| | January 1, 2022 | Cash flows | Non-cash changes | June 30, 2022 |
|---|----------------------------|-------------------|-----------------------------|--------------------------|
| | | | Other | |
| Short-term borrowings | \$ 4,363,580 | 2,542,764 | - | 6,906,344 |
| Lease liabilities | 283,729 | (44,881) | 4,572 | 243,420 |
| Bonds payable | 326,571 | (7,400) | (319,171) | - |
| Deposits received | 29,711 | 3,362 | 119 | 33,192 |
| Total liabilities from financing activities | <u>\$ 5,003,591</u> | <u>2,493,845</u> | <u>(314,480)</u> | <u>7,182,956</u> |

| | January 1, 2021 | Cash flows | Non-cash changes | June 30, 2021 |
|---|----------------------------|-------------------|-----------------------------|--------------------------|
| | | | Other | |
| Short-term borrowings | \$ 707,795 | 782,156 | - | 1,489,951 |
| Lease liabilities | 380,816 | (43,625) | 3,803 | 340,994 |
| Bonds payable | 980,219 | - | 2,787 | 983,006 |
| Deposits received | 2,073 | 28,016 | 76 | 30,165 |
| Total liabilities from financing activities | <u>\$ 2,070,903</u> | <u>766,547</u> | <u>6,666</u> | <u>2,844,116</u> |

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

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

(b) Name and relationship with related parties

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

| Name of related party | Relationship with the Group |
|---|---|
| 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. | // |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Significant related party transactions

(i) Purchases of goods from related parties

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

| | For the three months ended | | For the six months ended | |
|-----------------------|-----------------------------------|----------------------|---------------------------------|----------------------|
| | June 30, | | June 30, | |
| | 2022 | 2021 | 2022 | 2021 |
| Parent Company | \$ 462,973 | - | 823,550 | 449 |
| Other related parties | <u>18,042</u> | <u>36,915</u> | <u>54,601</u> | <u>65,020</u> |
| | <u>\$ 481,015</u> | <u>36,915</u> | <u>878,151</u> | <u>65,469</u> |

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

(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 six months ended June 30, 2022 and 2021 were as follows:

| | For the three months ended | | For the six months ended | |
|-----------------------|-----------------------------------|--------------|---------------------------------|---------------|
| | June 30, | | June 30, | |
| | 2022 | 2021 | 2022 | 2021 |
| Other related parties | <u>\$ 310</u> | <u>6,165</u> | <u>620</u> | <u>10,945</u> |

(iii) Lease

In April 2019, the Group leased factories and buildings from other related parties—CVC, with a lease term of 3 years, after surveying the market price in neighboring areas, and the lease contract had been early terminated on January 31, 2022. For the three months and six months ended June 30, 2021, the Group recognized the interest expenses of \$74 and \$169, respectively. As of December 31 and June 30, 2021, the balance of lease liabilities amounted to \$1,200 and \$3,534, respectively.

The Group leased machinery from other related parties—CVC with a contract term of 5 years in June 2019. The lease payment was collected by the parent company on behalf of CVC, and had been paid by the Group in 2020. In addition, the lease contract had been early terminated on January 31, 2022. The prepaid lease (recognized as right-of-use assets) amounting to \$40,541 had been refunded, and the lease modification gain of \$1,351 had been recognized. The balance of right-of-use assets were amounted to \$39,190 and \$47,298 as of December 31 and June 30, 2021, respectively.

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Property transaction

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

(v) Payables to related parties

The payables to related parties were as follows:

| <u>Account</u> | <u>Related party categories</u> | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> |
|------------------|---------------------------------|----------------------|--------------------------|----------------------|
| Accounts payable | Parent Company | \$ 464,833 | 14,034 | - |
| Accounts payable | Other related parties | 37,877 | 39,091 | 52,650 |
| | | <u>\$ 502,710</u> | <u>53,125</u> | <u>52,650</u> |
| Other payables | Other related parties | \$ - | - | <u>2,622</u> |

(vi) Receivables from related parties

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

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

(d) Transactions with key management personnel

Key management personnel compensation comprised:

| | <u>For the three months ended</u> | | <u>For the six months ended</u> | |
|------------------------------|-----------------------------------|---------------|---------------------------------|---------------|
| | <u>June 30, 2022</u> | <u>2021</u> | <u>June 30, 2022</u> | <u>2021</u> |
| Short-term employee benefits | \$ 22,757 | 25,433 | 44,982 | 53,667 |
| Post-employment benefits | 253 | 314 | 544 | 629 |
| Share-based payments | 845 | 1,442 | 1,689 | 2,885 |
| | <u>\$ 23,855</u> | <u>27,189</u> | <u>47,215</u> | <u>57,181</u> |

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(8) Pledged assets:

The carrying amount of pledged assets were as follows:

| <u>Assets</u> | <u>Subject</u> | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> |
|----------------------|------------------------------------|--------------------------|------------------------------|--------------------------|
| Other current assets | Bail for court mandatory execution | \$ - | - | 41,090 |

(9) Commitments and contingencies:None**(10) Losses Due to Major Disasters: None****(11) Subsequent Events:**

In order to meet the operational needs, the Group has signed the contract to engage a non-related party for the expansion of the plant amounted to \$484,556 (VND 386,100,000 thousand) on July 22, 2022.

(12) Other:

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

| By function | For the three months ended June 30, 2022 | | | For the three months ended June 30, 2021 | | |
|----------------------------|---|--------------------|---------|---|--------------------|---------|
| | Cost of sales | Operating expenses | Total | Cost of sales | Operating expenses | Total |
| By item | | | | | | |
| Employee benefits | | | | | | |
| Salary | 189,860 | 409,841 | 599,701 | 200,144 | 456,664 | 656,808 |
| Labor and health insurance | 9,987 | 29,148 | 39,135 | 8,544 | 27,954 | 36,498 |
| Pension | 12,134 | 15,025 | 27,159 | 12,911 | 13,772 | 26,683 |
| Others | 123,897 | 13,021 | 136,918 | 176,819 | 16,001 | 192,820 |
| Depreciation | 128,568 | 38,030 | 166,598 | 94,679 | 34,805 | 129,484 |
| Amortization | 377 | 11,545 | 11,922 | 1,539 | 7,077 | 8,616 |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| By function By item | For the six months ended June 30, 2022 | | | For the six months ended June 30, 2021 | | |
|----------------------------|---|--------------------|-----------|---|--------------------|-----------|
| | Cost of sales | Operating expenses | Total | Cost of sales | Operating expenses | Total |
| Employee benefits | | | | | | |
| Salary | 370,477 | 823,836 | 1,194,313 | 397,854 | 864,974 | 1,262,828 |
| Labor and health insurance | 18,062 | 63,501 | 81,563 | 16,573 | 60,638 | 77,211 |
| Pension | 24,700 | 31,262 | 55,962 | 25,361 | 27,678 | 53,039 |
| Others | 276,603 | 31,800 | 308,403 | 330,601 | 30,931 | 361,532 |
| Depreciation | 245,308 | 74,946 | 320,254 | 182,859 | 69,129 | 251,988 |
| Amortization | 622 | 23,518 | 24,140 | 3,194 | 13,898 | 17,092 |

(b) Seasonality of operations

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

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:

Unit: In thousand dollars of TWD/USD

| Number | Name of lender | Name of borrower | Account name | Related party | Highest balance of financing to other parties during the period | Ending balance | Actual usage amount during the period | Range of interest rates during the period | Purposes of fund financing for the borrower (note 1) | Transaction amount for business between two parties | Reasons for short-term financing | Allowance for bad debt | Collateral | | Individual funding loan limits (note 2) | Maximum limit of fund financing (note 2 & 3) | Note |
|--------|------------------|---|-------------------|---------------|---|---------------------|---------------------------------------|---|--|---|----------------------------------|------------------------|------------|-------|---|--|--|
| | | | | | | | | | | | | | Item | Value | | | |
| 0 | The Company | Arcadyan do Brasil Ltda | Other receivables | Yes | 35,867 (USD1,300) | - | - | 1% | 2 | - | Operating demand | - | - | - | 2,518,208 | 5,036,416 | The transactions had been eliminated in the consolidated financial statements. |
| 0 | " | Arcadyan do Brasil Ltda | " | Yes | 59,340 (USD2,000) | 59,340 (USD2,000) | 38,571 (USD1,300) | 1% | 2 | - | Operating demand | - | - | - | 2,518,208 | 5,036,416 | " |
| 0 | " | Arcadyan Technology (Vietnam) Co. Ltd. | " | Yes | 280,250 (USD10,000) | - | - | 1% | 1 | 4,658,190 (USD157,000) | - | - | - | - | 2,518,208 | 5,036,416 | " |
| 0 | " | Arcadyan Technology (Vietnam) Co. Ltd. | " | Yes | 296,700 (USD10,000) | 296,700 (USD10,000) | - | 1% | 1 | 14,182,260 (USD478,000) | - | - | - | - | 2,518,208 | 5,036,416 | " |
| 0 | " | Arcadyan Technology Corporation (Russia), LLC | " | Yes | 29,670 (USD1,000) | 29,670 (USD1,000) | - | 1% | 1 | 404,610 (USD13,637) | - | - | - | - | 323,687 (USD10,909) | 5,036,416 | " |
| 1 | Arcadyan Holding | CNC | " | Yes | 504,390 (USD17,000) | 504,390 (USD17,000) | 504,390 (USD17,000) | 1% | 2 | - | Operating demand | - | - | - | 2,535,097 | 2,535,097 | " |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

Note 4: The amounts in New Taiwan Dollars were translated at the exchange rate of \$29.67(USD) and \$0.5844(RUB) based on the year-end date.

(ii) Guarantees and endorsements for other parties:

Unit: thousand dollars of TWD/USD

| No. | Name of guarantor | Counter-party of guarantee and endorsement | | Limitation on amount of guarantees and endorsements for a specific enterprise (note 1) | Highest balance for guarantees and endorsements during the period | Balance of guarantees and endorsements as of reporting date | Actual usage amount during the period | Property pledged for guarantees and endorsements (Amount) | Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements | Maximum amount for guarantees and endorsements | Parent company endorsements/ guarantees to third parties on behalf of subsidiary | Subsidiary endorsements / guarantees to third parties on behalf of parent company | Endorsements/ guarantees to third parties on behalf of companies in Mainland China |
|-----|-------------------|--|--------------------------------------|--|---|---|---------------------------------------|---|---|--|--|---|--|
| | | Name | Relationship with the Company | | | | | | | | | | |
| 0 | The Company | Arcadyan Technology Australia Pty Ltd | 100% owned subsidiary of the Company | 1,678,805 | 222,525 (USD7,500) | 222,525 (USD7,500) | - | - | 1.77 % | 5,036,416 | Y | N | N |

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

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

Unit: In thousand dollars of TWD/thousand shares

| Name of holder | Category and name of security | Relationship with company | Account title | Ending balance | | | | Note |
|----------------|------------------------------------|---------------------------|---|----------------|----------------|-----------------------------|------------|------|
| | | | | Shares | Carrying value | Percentage of ownership (%) | Fair value | |
| The Company | Geo Things Inc. | - | Financial assets at fair value through profit or loss-non-current | 200 | - | 7.14 % | - | |
| " | AirHop Communication, Inc. | - | " | 1,152 | - | 4.60 % | - | |
| " | Adant Technologies Inc. | - | " | 349 | - | 4.93 % | - | |
| " | IOT Eye, Inc. | - | " | 60 | - | 13.75 % | - | |
| " | TIEF Fund, L.P. | - | " | - | 50,754 | 7.49 % | 50,754 | |
| " | Chimei Motor Electronic Co Ltd. | - | Financial assets at fair value through other comprehensive income-non-current | 1,650 | 58,542 | 4.93 % | 58,542 | |
| " | Golden Smart home Technology Corp. | - | " | 1,229 | - | 5.61 % | - | |

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

Unit: In thousand dollars of USD

| Name of company | Name of property | Transaction date (Note 1) | Transaction amount | Status of payment | Counter-party | Relationship with the Company | If the counter-party is a related party, disclose the previous transfer information | | | | References for determining price | Purpose of acquisition and current condition | Others |
|------------------|--|---------------------------|---|-------------------|---------------|-------------------------------|---|-------------------------------|------------------|----------------|----------------------------------|--|--------|
| | | | | | | | Owner | Relationship with the Company | Date of transfer | Amount | | | |
| Arcadyan Vietnam | Plant, mechanical and electrical equipment | May 5, 2022 | Estimated the maximum limit of USD 48,000 | Note 2 | Note 2 | Note 2 | 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 USD 48,000,000.

Note 2: As of the reporting date, the Group has signed the contracts to engage a non-related party for the expansion of the plant, please refer to note (11).

- (vi) Disposal of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None.

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of TWD100 million or 20% of the capital stock:

Unit: In thousand dollars of TWD

| Name of company | Related party | Nature of relationship | Transaction details | | | | Transactions with terms different from others | | Notes/Accounts receivable (payable) | | Note |
|------------------|--------------------------|-------------------------------|---------------------|-------------|-------------------------------------|--|---|---------------|-------------------------------------|---|----------|
| | | | Purchase/Sale | Amount | Percentage of total purchases/sales | Payment terms | Unit price | Payment terms | Ending balance | Percentage of total notes/accounts receivable (payable) | |
| The Company | Arcadyan Germany | Subsidiary | (Sales) | (446,091) | (2)% | Net 150 days from delivery | - | - | 85,768 | 1 % | Note 4 |
| " | Arcadyan USA | " | (Sales) | (7,846,648) | (37)% | Net 120 days from delivery | - | - | 2,037,783 | 27 % | Note 4 |
| " | Arcadyan AU | " | (Sales) | (255,101) | (1)% | Net 60 days from the end of the month of delivery | - | - | (13,015) | - % | Note 3、4 |
| " | CNC | " | Purchases | 4,758,314 | 17 % | Net 120 days from delivery | According to cost plus pricing | - | (1,138,654) | (7)% | Note 1、4 |
| " | Arcadyan Vietnam | " | Purchases | 1,227,693 | 4 % | Net 180 days from the end of the month of delivery | " | - | Note 2 | - % | Note 1、4 |
| " | Compal Electronics, INC. | Parent company of the Company | Purchases | 823,550 | 3 % | Net 60 days from the end of the month of delivery | - | - | (464,833) | (3)% | - |
| CNC | The Company | Parent company | (Sales) | (4,758,314) | (100)% | Net 120 days from delivery | According to cost plus pricing | - | 1,138,654 | 4 % | Note 1、4 |
| Arcadyan Vietnam | The Company | Parent company | (Sales) | (1,227,693) | (100)% | Net 180 days from the end of the month of delivery | " | - | Note 2 | - % | Note 1、4 |
| Arcadyan Germany | The Company | Parent company | Purchases | 446,091 | 100 % | Net 150 days from delivery | - | - | (85,768) | (100)% | Note 4 |
| Arcadyan USA | " | " | Purchases | 7,846,648 | 100 % | Net 120 days from delivery | - | - | (2,037,783) | (100)% | Note 4 |
| Arcadyan AU | " | " | Purchases | 255,101 | 100 % | Net 60 days from the end of the month of delivery | - | - | 13,015 | (100)% | Note 3、4 |

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

Note 2: As of June 30, 2022, the other receivables were amounted to \$1,610,012 thousand.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Note 3: The ending balance was the payable amount of sales discount to Arcadyan AU.

Note 4: 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 | 2,037,783 | 7.73 | - | | 1,107,339 | - |
| " | Arcadyan Vietnam | " | 1,610,012 (Note 2) | Note 2 | - | | - | - |
| CNC | The Company | Parent company | 1,138,654 (Note 1) | 6.01 | - | | 817,828 | - |

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 July 28, 2022.

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

| No. (Note 1) | Name of company | Name of counter-party | Nature of relationship (Note 2) | Intercompany transactions | | | Percentage of the consolidated net revenue or total assets |
|-----------------|-----------------|-----------------------|------------------------------------|---------------------------|-----------|---|--|
| | | | | Account name | Amount | Trading terms | |
| 0 | The Company | Arcadyan Germany | 1 | Sales Revenue | 446,091 | There is no significant difference of price between general customers'. The credit period is net 150 days from delivery. | 2.11 % |
| " | " | " | 1 | Accounts Receivable | 85,768 | " | 0.23 % |
| " | " | Arcadyan USA | 1 | Sales Revenue | 7,846,648 | There is no significant difference of price between general customers'. The credit period is net 120 days from delivery. | 37.03 % |
| " | " | " | 1 | Accounts Receivable | 2,037,783 | " | 5.42 % |
| " | " | Arcadyan AU | 1 | Sales Revenue | 255,101 | 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. | 1.20 % |
| " | " | Arcadyan Vietnam | 1 | Other Receivable | 1,610,012 | The credit period is net 180 days from the end of the month of delivery and depended on funding demand. | 4.28 % |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| No. (Note 1) | Name of company | Name of counter-party | Nature of relationship (Note 2) | Intercompany transactions | | | Percentage of the consolidated net revenue or total assets |
|-----------------|------------------|-----------------------|------------------------------------|---------------------------|-----------|--|--|
| | | | | Account name | Amount | Trading terms | |
| 1 | CNC | The Company | 2 | Processing Revenue | 4,758,314 | The price is based on the operating cost-plus. The credit period is net 120 days from delivery and depended on funding demand. | 22.46 % |
| " | " | " | 2 | Accounts Receivable | 1,138,654 | " | 3.03 % |
| 2 | Arcadyan Vietnam | The Company | " | Processing Revenue | 1,227,693 | The credit period is net 180 days from the end of the month of delivery and depended on funding demand. | 5.79 % |

Note 1: The numbers filled in as follows:

1.0 represents the Company.

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

Note 2: Transactions labeled as follows:

1 represents transactions between the parent company and its subsidiaries.

2 represents transactions between the subsidiaries and the parent company.

3 represents transactions between subsidiaries.

(b) Information on investees:

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

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

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Balance as of June 30, 2022 | | | Net Income (Losses) of the Investee | Investment Income (losses) | Note |
|-------------------------|------------------|------------------------|---|----------------------------|-------------------|-----------------------------|-------------------------------|-------------------|--|----------------------------------|----------------|
| | | | | June 30, 2022 | December 31, 2021 | Shares (thousands) | Percentage of ownership | Carrying value | | | |
| The Company | Arcadyan Holding | British Virgin Islands | Investment activities | 2,219,782 | 2,219,782 | 64,780 | 100% | 2,442,631 | (51,602) | (51,602) | Note 2 - 4 |
| The Company | Arcadyan USA | USA | Selling of wireless networking products | 23,055 | 23,055 | 1 | 100% | 141,760 | 49,576 | 49,576 | " |
| The Company | Arcadyan Germany | Germany | Selling and technical support of wireless networking products | 1,125 | 1,125 | 0.5 | 100% | 79,832 | 3,260 | 3,260 | " |
| The Company | Arcadyan Korea | Korea | Selling of wireless networking products | 2,879 | 2,879 | 20 | 100% | 9,888 | (1,823) | (1,823) | " |
| The Company and ZHI-BAO | Arcadyan Brasil | Brazil | Selling of wireless networking products | 81,593 | 81,593 | 968 | 100% | (26,970) | (10,045) | (10,045) | " |
| The Company | ZHI-BAO | Hsinchu City | Investment activities | 48,000 | 48,000 | 34,980 | 100% | 412,049 | (1,241) | (1,241) | " |
| The Company | TTI | Taipei City | Research and development, and selling digital home appliance | 308,726 | 308,726 | 25,028 | 61% | 282,920 | (127,982) | (78,125) | " |
| The Company | AeBel Telecom | Taipei City | Investment activities | 23,000 | 23,000 | 4,494 | 51% | 34,356 | 3,362 | 1,718 | Note 2 - 4 - 5 |
| The Company | Arcadyan UK | England | Technical support of wireless networking products | 1,988 | 1,988 | 50 | 100% | 4,375 | 304 | 304 | Note 2 - 4 |
| The Company | Arcadyan AU | Australia | Selling of wireless networking products | 1,161 | 1,161 | 50 | 100% | 47,307 | 1,252 | 1,252 | " |
| The Company | Arcadyan RU | Russia | Selling of wireless networking products | 7,672 | 7,672 | - | 100% | 9,685 | 320 | 320 | " |
| The Company | CBN | Hsinchu County | Manufacturing and selling of broadband network products | 11,925 | 11,925 | 533 | 1% | 12,166 | (7,975) | (62) | Note 3 |

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Balance as of June 30, 2022 | | | Net Income (Losses) of the Investee | Investment Income (losses) | Note |
|-------------------------|------------------|------------------------|---|----------------------------|---------------------|-----------------------------|-------------------------|-----------------------|-------------------------------------|--|------------|
| | | | | June 30, 2022 | December 31, 2021 | Shares (thousands) | Percentage of ownership | Carrying value | | | |
| The Company and ZHI-BAO | Arcadyan India | India | Selling of wireless networking products | 13,507 | 13,507 | 3,500 | 100% | 7,717 | (3,834) | (3,834) | Note 2、4、6 |
| Arcadyan Holding | Sinoprime | British Virgin Islands | Investment activities | 861,914 (USD29,050) | 861,914 (USD29,050) | 29,050 | 100% | 1,152,501 (USD38,844) | 229,541 (USD7,991) | Investment gain(losses) recognized by Arcadyan Holding | Note 2、4 |
| " | Arch Holding | British Virgin Islands | Investment activities | 326,696 (USD11,011) | 326,696 (USD11,011) | 35 | 100% | 825,271 (USD27,815) | (286,474) (USD9,973) | " | " |
| Sinoprime | Arcadyan Vietnam | Vietnam | Manufacturing of wireless networking products | 860,430 (USD29,000) | 860,430 (USD29,000) | - | 100% | 1,148,140 (USD38,697) | 229,541 (USD7,991) | Investment gain (losses) recognized by Sinoprime | " |
| TTI | Quest | Samoa | Investment activities | 35,604 (USD1,200) | 35,604 (USD1,200) | 1,200 | 100% | (212,750) | (133,657) | Investment gain (losses) recognized by TTI | " |
| TTI | TTJC | Japan | Selling digital home appliance | 9,626 | 9,626 | 0.7 | 100% | 3,190 | (410) | " | " |
| Quest | Exquisite | Samoa | Investment activities | 34,714 (USD1,170) | 34,714 (USD1,170) | 1,170 | 100% | (220,033) (USD7,416) | (133,657) (USD4,653) | Investment gain(losses) recognized by Quest | " |
| ZHI-BAO | CBN | Hsinchu County | Manufacturing and selling of broadband network products | 36,272 | 36,272 | 13,140 | 19.20% | 299,795 | (7,975) | Investment gain(losses) recognized by ZHI-BAO | Note 3 |

Note 1: The amounts in New Taiwan Dollars were translated at the exchange rate of US\$28.725/EUR\$31.407 based on the average exchange rate for net income(losses) of the investees, others were translated at the exchange rate of US\$29.67/EUR\$31.19 based on the reporting date.

Note 2: The Group has owner control.

Note 3: The Group has significant influence.

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

Note 5: The subsidiary had been decided to be dissolved and liquidated on October 28, 2021.

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

(c) Information on investment in mainland China:

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

(In thousand dollars of TWD and USD)

| Name of investee | Main businesses and products | Total amount of paid-in capital | Method of investment | Accumulated outflow of investment from Taiwan as of January 1, 2022 | Investment flows | | Accumulated outflow of investment from Taiwan as of June 30, 2022 | Net income (losses) of the investee | Percentage of ownership | Investment income (losses) | Book value | Accumulated remittance of earnings in current period | Note |
|------------------|---|---------------------------------|----------------------|---|------------------|-----------------|---|-------------------------------------|-------------------------|----------------------------|----------------------|--|--------|
| | | | | | Outflow | Inflow (Note 6) | | | | | | | |
| SVA | Research and sale of wireless networking products | 240,327 (USD8,100) | Note 1 | (Note 4) 398,171 (USD13,420) | - | - | 398,171 (USD13,420) | 2,844 (USD99) | 100% | 2,844 (USD99) | 31,806 (USD1,072) | - | Note 3 |
| CNC | Manufacturing of wireless networking products | 369,392 (USD12,450) | " | (Note 5) 326,696 (USD11,011) | - | - | 326,696 (USD11,011) | (286,474) (USD9,973) | 100% | (286,474) (USD9,973) | 825,271 (USD27,815) | - | " |
| TCH | Manufacturing of digital home appliance products | 99,395 (USD3,350) | Notes 1 and 6 | 34,121 (USD1,150) | - | - | 34,121 (USD1,150) | (133,657) (USD4,653) | 100% | (133,657) (USD4,653) | (220,537) (USD7,433) | - | " |

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

Note 2: The amounts in New Taiwan Dollars were translated at the exchange rate of US\$28.725 based on the average exchange rate for net income(losses) of the investees, others were translated at the exchange rate of US\$29.67 based on the reporting date.

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

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

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

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Limitation on investment in Mainland China:

| Accumulated Investment in Mainland China as of June 30, 2022 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment in Mainland China by Investment Commission, MOEA |
|---|---|---|
| 758,988 (USD25,581) | 758,988 (USD25,581) | 7,554,624 |

Note : The amounts in TWD were translated at the exchange rate of \$29.67 on June 30, 2022.

(iii) Significant transactions:

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

(d) Major shareholders:

Unit: Share

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

(14) Segment information:

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