

**ARCADYAN TECHNOLOGY CORPORATION AND
SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2022 and 2021**

Address: 8F., No. 8, Sec. 2, Guangfu Rd., East Dist., Hsinchu City, Taiwan
Telephone: (03)572-7000

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

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statement of Comprehensive Income	5
6. Consolidated Statement of Changes in Equity	6
7. Consolidated Statement of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of significant accounting policies	9~11
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	11~12
(6) Explanation of significant accounts	12~44
(7) Related-party transactions	44~46
(8) Pledged assets	47
(9) Commitments and contingencies	47
(10) Losses Due to Major Disasters	47
(11) Subsequent Events	47
(12) Other	47
(13) Other disclosures	
(a) Information on significant transactions	47~51
(b) Information on investees	52
(c) Information on investment in Mainland China	53
(d) Major shareholders	53
(14) Segment information	54



安侯建業聯合會計師事務所

KPMG

台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

電話 Tel + 886 2 8101 6666
傳真 Fax + 886 2 8101 6667
網址 Web home.kpmg/tw

Independent Auditors' Review Report

To the Board of Directors of Arcadyan Technology Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheets of Arcadyan Technology Corporation and its subsidiaries as of March 31, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 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 \$999,374 thousand and \$2,475,350 thousand, constituting 3% and 8% of consolidated total assets as of March 31, 2022 and 2021, respectively, total liabilities amounting to \$207,424 thousand and \$479,064 thousand, constituting 1% and 2% of consolidated total liabilities as of March 31, 2022 and 2021, respectively, and total comprehensive income amounting to \$2,145 thousand and \$6,219 thousand, constituting 0% and 1% of consolidated total comprehensive income for the three months ended March 31, 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 March 31, 2022 and 2021, and of its consolidated financial performance as well as its consolidated cash flows for the three months ended March 31, 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)
May 5, 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 March 31, 2022 and 2021

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2022, December 31, 2021, and March 31, 2021

(Expressed In thousand dollars of TWD)

		March 31, 2022		December 31, 2021		March 31, 2021				March 31, 2022		December 31, 2021		March 31, 2021	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Assets															
Current assets:															
1100	Cash and cash equivalents (note (6)(a))	\$ 6,054,415	17	7,970,779	24	9,341,072	30	2100	Short-term borrowings (note (6)(k))	\$ 4,879,832	14	4,363,580	13	310,000	1
1110	Current financial assets at fair value through profit or loss (note (6)(b))	17,863	-	19,713	-	163,385	1	2120	Current financial liabilities at fair value through profit or loss (note (6)(b))	51,185	-	1,589	-	28,142	-
1139	Current financial assets for hedging (note (6)(d))	34,000	-	-	-	7,557	-	2171	Accounts payable (including related parties) (note (7))	10,397,721	29	9,785,660	29	12,041,745	39
1170	Notes and accounts receivable, net (notes (6)(e) and (u))	9,758,012	27	7,692,296	23	6,976,663	22	2200	Other payables (including related parties) (note (7))	3,580,140	10	3,844,578	12	2,765,583	9
1200	Other receivables (including related parties) (notes (6)(e), (w) and (7))	187,413	1	98,994	-	155,299	1	2216	Dividends payable	1,478,382	4	10	-	1,354,448	4
1310	Inventories, net (note (6)(f))	13,635,984	38	12,496,419	37	9,792,585	32	2230	Current tax liabilities	359,510	1	315,279	1	487,824	2
1410	Prepayments	188,081	1	163,493	-	156,785	1	2250	Current provisions (note (6)(o))	956,969	3	1,018,471	3	713,827	3
1470	Other current assets (note (8))	113,664	-	91,238	-	137,938	-	2280	Current lease liabilities (notes (6)(n) and (7))	99,158	-	86,426	-	84,262	-
		<u>29,989,432</u>	<u>84</u>	<u>28,532,932</u>	<u>84</u>	<u>26,731,284</u>	<u>87</u>	2300	Other current liabilities (note (6)(l))	1,010,696	3	734,799	2	692,279	2
								2321	Bonds payable, current portion (note (6)(m))	106,748	-	326,571	1	-	-
										<u>22,920,341</u>	<u>64</u>	<u>20,476,963</u>	<u>61</u>	<u>18,478,110</u>	<u>60</u>
Non-current assets:															
1550	Investments accounted for using equity method (note (6)(g))	312,425	1	324,178	1	337,673	1	2530	Bonds payable (note (6)(m))	-	-	-	-	979,546	3
1511	Non-current financial assets at fair value through profit or loss (note (6)(b))	38,973	-	37,475	-	41,879	-	2570	Deferred tax liabilities (note (6)(q))	183,366	1	168,121	-	101,352	-
1517	Non-current financial assets at fair value through other comprehensive income (note (6)(c))	57,173	-	26,169	-	31,663	-	2580	Non-current lease liabilities (note (6)(n))	193,606	1	197,303	1	280,777	1
1600	Property, plant and equipment (note (6)(h))	4,095,800	12	3,762,513	12	2,763,815	9	2640	Non-current net defined benefit liability (note (6)(p))	105,243	-	105,902	-	98,608	-
1755	Right-of-use assets (notes (6)(i) and (7))	559,133	2	586,307	2	699,730	2	2670	Other non-current liabilities	32,218	-	29,711	-	30,695	-
1780	Intangible assets (note (6)(j))	107,942	-	115,028	-	71,090	-			<u>514,433</u>	<u>2</u>	<u>501,037</u>	<u>1</u>	<u>1,490,978</u>	<u>4</u>
1840	Deferred tax assets (note (6)(q))	378,616	1	400,494	1	310,750	1		Total liabilities	<u>23,434,774</u>	<u>66</u>	<u>20,978,000</u>	<u>62</u>	<u>19,969,088</u>	<u>64</u>
1900	Other non-current assets	70,096	-	116,017	-	66,659	-		Equity attributable to owners of parent (notes (6)(m), (r) and (s)):						
		<u>5,620,158</u>	<u>16</u>	<u>5,368,181</u>	<u>16</u>	<u>4,323,259</u>	<u>13</u>	3110	Ordinary share	2,191,686	6	2,164,926	6	2,084,245	7
								3200	Capital surplus	4,010,429	11	4,032,400	12	3,457,084	11
								3300	Retained earnings	5,867,752	17	6,738,883	20	5,414,543	17
								3410	Exchange differences on translation of foreign financial statements	(179,992)	(1)	(243,747)	(1)	(176,322)	-
								3420	Unrealized gain or loss on financial assets at fair value through other comprehensive income	7,673	-	(23,331)	-	(17,837)	-
								3450	Gain(loss) on hedging instrument	34,000	-	-	-	7,557	-
								3491	Unearned employee benefit	(8,144)	-	(13,030)	-	(37,462)	-
										<u>11,923,404</u>	<u>33</u>	<u>12,656,101</u>	<u>37</u>	<u>10,731,808</u>	<u>35</u>
								3600	Non-controlling interests	251,412	1	267,012	1	353,647	1
									Total equity	<u>12,174,816</u>	<u>34</u>	<u>12,923,113</u>	<u>38</u>	<u>11,085,455</u>	<u>36</u>
Total assets		<u>\$ 35,609,590</u>	<u>100</u>	<u>33,901,113</u>	<u>100</u>	<u>31,054,543</u>	<u>100</u>	Total liabilities and equity		<u>\$ 35,609,590</u>	<u>100</u>	<u>33,901,113</u>	<u>100</u>	<u>31,054,543</u>	<u>100</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 Comprehensive Income

For the three months ended March 31, 2022 and 2021

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

		For the three months ended March 31,			
		2022		2021	
		Amount	%	Amount	%
4000	Operating revenues (notes (6)(u) and (7)):	\$ 10,299,679	100	9,624,815	100
5000	Operating costs (notes (6)(f), (6)(p), (7) and (12))	<u>8,884,937</u>	<u>86</u>	<u>8,268,074</u>	<u>86</u>
	Gross profit from operating	<u>1,414,742</u>	<u>14</u>	<u>1,356,741</u>	<u>14</u>
	Operating expenses (notes (6)(p), (7) and (12)):				
6100	Selling expenses	260,053	3	146,795	2
6200	Administrative expenses	125,967	1	105,474	1
6300	Research and development expenses	<u>552,502</u>	<u>5</u>	<u>488,295</u>	<u>5</u>
	Total operating expenses	<u>938,522</u>	<u>9</u>	<u>740,564</u>	<u>8</u>
	Net operating income	<u>476,220</u>	<u>5</u>	<u>616,177</u>	<u>6</u>
	Non-operating income and expenses:				
7100	Interest income	14,477	-	16,535	-
7190	Other income	5,787	-	2,654	-
7230	Foreign exchange gains(losses), net (note (6)(w))	48,706	-	(97,123)	(1)
7235	(Losses) gains on financial assets (liabilities) at fair value through profit or loss (notes (6)(b) and (d))	(24,616)	-	55,959	1
7370	Share of profit of associates and joint ventures accounted for using equity method (note (6)(g))	266	-	(713)	-
7510	Interest expense (notes (6)(m) and (n))	<u>(13,229)</u>	<u>-</u>	<u>(9,264)</u>	<u>-</u>
	Total non-operating income and expenses	<u>31,391</u>	<u>-</u>	<u>(31,952)</u>	<u>-</u>
	Income before tax	507,611	5	584,225	6
7950	Less: Income tax expenses (note (6)(q))	<u>132,298</u>	<u>1</u>	<u>128,798</u>	<u>1</u>
	Net income	<u>375,313</u>	<u>4</u>	<u>455,427</u>	<u>5</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))	31,004	-	528	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(q))	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>31,004</u>	<u>-</u>	<u>528</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	78,300	1	167	-
8368	Gains (losses) on hedging instrument (note (6)(d))	34,000	-	9,749	-
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))	27	-	(91)	-
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note (6)(q))	<u>15,660</u>	<u>-</u>	<u>34</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>96,667</u>	<u>1</u>	<u>9,791</u>	<u>-</u>
8300	Other comprehensive income	<u>127,671</u>	<u>1</u>	<u>10,319</u>	<u>-</u>
	Total comprehensive income	<u>\$ 502,984</u>	<u>5</u>	<u>465,746</u>	<u>5</u>
	Net income, attributable to:				
	Owners of parent	\$ 389,825	4	454,417	5
8620	Non-controlling interests	<u>(14,512)</u>	<u>-</u>	<u>1,010</u>	<u>-</u>
		<u>\$ 375,313</u>	<u>4</u>	<u>455,427</u>	<u>5</u>
	Comprehensive income attributable to:				
	Owners of parent	\$ 518,584	5	464,734	5
	Non-controlling interests	<u>(15,600)</u>	<u>-</u>	<u>1,012</u>	<u>-</u>
		<u>\$ 502,984</u>	<u>5</u>	<u>465,746</u>	<u>5</u>
	Earnings per share (note (6)(t))				
9750	Basic earnings per share	<u>\$ 1.80</u>		<u>2.20</u>	
9850	Diluted earnings per share	<u>\$ 1.75</u>		<u>2.06</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 three months ended March 31, 2022 and 2021

(Expressed in thousand dollars of TWD)

	Equity attributable to owners of parent						Total other equity interest						Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Unearned employee benefit	Total other equity interest	Total equity attributable to owners of parent		
Balance at January 1, 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 three months ended March 31, 2021	-	-	-	-	454,417	454,417	-	-	-	-	-	454,417	1,010	455,427
Other comprehensive income for the three months ended March 31, 2021	-	-	-	-	-	-	40	528	9,749	-	10,317	10,317	2	10,319
Comprehensive income for the three months ended March 31, 2021	-	-	-	-	454,417	454,417	40	528	9,749	-	10,317	464,734	1,012	465,746
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	-	-	-	-	-	-	8,144	8,144	8,144	-	-	8,144
Balance at March 31, 2021	\$ 2,084,245	3,457,084	981,894	95,172	4,337,477	5,414,543	(176,322)	(17,837)	7,557	(37,462)	(224,064)	10,731,808	353,647	11,085,455
Balance at January 1, 2022	\$ 2,164,926	4,032,400	1,152,791	196,919	5,389,173	6,738,883	(243,747)	(23,331)	-	(13,030)	(280,108)	12,656,101	267,012	12,923,113
Net income for the three months ended March 31, 2022	-	-	-	-	389,825	389,825	-	-	-	-	-	389,825	(14,512)	375,313
Other comprehensive income for the three months ended March 31, 2022	-	-	-	-	-	-	63,755	31,004	34,000	-	128,759	128,759	(1,088)	127,671
Comprehensive income for the three months ended March 31, 2022	-	-	-	-	389,825	389,825	63,755	31,004	34,000	-	128,759	518,584	(15,600)	502,984
Appropriation and distribution of retained earnings:														
Cash dividends of ordinary share	-	-	-	-	(1,260,956)	(1,260,956)	-	-	-	-	-	(1,260,956)	-	(1,260,956)
Cash dividends from capital surplus	-	(217,406)	-	-	-	-	-	-	-	-	-	(217,406)	-	(217,406)
Convertible bonds converted into ordinary shares	26,848	193,720	-	-	-	-	-	-	-	-	-	220,568	-	220,568
Changes in equity of associates and subsidiaries accounted for using equity method	-	1,627	-	-	-	-	-	-	-	-	-	1,627	-	1,627
Share-based payment transactions	(88)	88	-	-	-	-	-	-	4,886	4,886	4,886	-	-	4,886
Balance at March 31, 2022	\$ 2,191,686	4,010,429	1,152,791	196,919	4,518,042	5,867,752	(179,992)	7,673	34,000	(8,144)	(146,463)	11,923,404	251,412	12,174,816

(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 three months ended March 31, 2022 and 2021
(Expressed in thousand dollars of TWD)

	For the three months ended March 31,	
	2022	2021
Cash flows from (used in) operating activities:		
Income before tax	\$ 507,611	584,225
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	153,656	122,504
Amortization expense	12,218	8,476
Expected credit losses	2,928	2,437
Interest expense	13,229	9,264
Interest income	(14,477)	(16,535)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(1,498)	961
Share-based payments transactions	4,886	8,144
Share of loss (profit) of associates and joint ventures accounted for using equity method	(266)	713
Losses on disposal of property, plant, equipment and intangible assets	7,315	9
Lease modification benefits	(2,354)	-
Others	(3,288)	1,025
Total adjustments to reconcile profit (loss)	172,349	136,998
Changes in operating assets and liabilities:		
Changes in financial assets or liabilities mandatorily measured at fair value through profit or loss	51,446	83,083
Increase in notes and accounts receivable	(2,068,208)	(66,628)
Increase (decrease) in other receivables	(73,928)	10,176
Increase in inventories	(1,139,565)	(1,765,989)
Increase in prepayments	(24,588)	(11,597)
Increase in other current assets	(22,426)	(13,296)
Increase in accounts payable (including related parties)	612,061	1,707,139
Increase (decrease) in other payables (including related parties) and other current liabilities	(54,352)	375,134
Decrease in other operating liabilities	(659)	(511)
Total changes in operating assets and liabilities	(2,720,219)	317,511
Total adjustments	(2,547,870)	454,509
Cash inflow (outflow) generated from operations	(2,040,259)	1,038,734
Interest received	13,217	11,573
Interest paid	(8,708)	(5,943)
Income taxes paid	(67,295)	(36,979)
Net cash flows from (used in) operating activities	(2,103,045)	1,007,385
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(414,162)	(330,114)
Proceeds from disposal of property, plant and equipment	6,976	-
Proceeds from disposal of right-of-use assets	40,541	-
(Increase) decrease in refundable deposits	49,383	(8,458)
Acquisition of intangible assets	(5,124)	(4,265)
Prepaid other non-current assets	-	(9,998)
Net cash flows used in investing activities	(322,386)	(352,835)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	516,252	(397,795)
Increase in guarantee deposits received	2,421	28,510
Repayment of lease principal	(20,431)	(21,395)
Other financing activities	10	(11)
Net cash flows from (used in) financing activities	498,252	(390,691)
Effect of exchange rate changes on cash and cash equivalents	10,815	(2,555)
Net increase (decrease) in cash and cash equivalents	(1,916,364)	261,304
Cash and cash equivalents at beginning of period	7,970,779	9,079,768
Cash and cash equivalents at end of period	\$ 6,054,415	9,341,072

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

March 31, 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 March 31, 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 May 5, 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”

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	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
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	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 IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(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.

(Continued)

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
			March 31, 2022	December 31, 2021	March 31, 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、4
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 %	Note 3
"	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
			March 31, 2022	December 31, 2021	March 31, 2021	
Sinoprime	Arcadyan Technology (Vietnam) Co., Ltd. (“Arcadyan Vietnam”)	Manufacturing of wireless networking products	100 %	100 %	100 %	Note 3
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: Sinoprime and Arcadyan Vietnam have been identified as major subsidiaries since the second quarter of 2021, but its financial statements for the first quarter of 2021 have not been reviewed by the auditors.

Note 4: 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.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(6) Explanation of significant accounts:

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

(a) Cash and cash equivalents

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Cash on hand	\$ 2,234	2,194	2,231
Checking accounts and demand deposits	1,949,950	3,292,553	3,094,974
Time deposits	<u>4,102,231</u>	<u>4,676,032</u>	<u>6,243,867</u>
	<u>\$ 6,054,415</u>	<u>7,970,779</u>	<u>9,341,072</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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Current financial assets mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging:			
Foreign exchange forward contracts	\$ 17,863	17,264	32,692
Foreign exchange swaps contracts	-	2,449	-
Non derivative financial assets:			
Structured deposits	<u>-</u>	<u>-</u>	<u>130,693</u>
Total	<u>\$ 17,863</u>	<u>19,713</u>	<u>163,385</u>
Non-current financial assets mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets:			
Fund unlisted on domestic markets	<u>\$ 38,973</u>	<u>37,475</u>	<u>41,879</u>

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Held-for-trading financial liabilities:			
Derivative instruments not used for hedging:			
Foreign exchange forward contracts	\$ 5,455	1,589	-
Foreign exchange swaps contracts	<u>45,730</u>	<u>-</u>	<u>28,142</u>
Total	<u>\$ 51,185</u>	<u>1,589</u>	<u>28,142</u>

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

	<u>March 31, 2022</u>		
	<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity date</u>
Derivative financial assets:			
Forward contracts:			
Foreign exchange forward	EUR 25,000	Sell EUR / USD	April 14, 2022~ August 12, 2022
Derivative financial liabilities:			
Forward contracts:			
Foreign exchange forward	EUR 3,000	Sell EUR / USD	June 6, 2022
Foreign exchange forward	USD 8,000	Sell EUR / TWD	May 3, 2022~June 29, 2022
Forward exchange forward	EUR 800	Buy USD / BRL	August 29, 2022
Swap contracts:			
Foreign exchange swaps	USD100,000	B/S USD / TWD	April 28, 2022~ September 29, 2022

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	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
	March 31, 2021		
	Contract amount (in thousands)	Currency	Maturity date
Derivative financial assets:			
Forward contracts:			
Foreign exchange forward	EUR 30,000	Sell EUR / USD	April 14, 2021~ June 29, 2021
Foreign exchange forward	USD 800	Buy USD / BRL	August 26, 2021
Derivative financial liabilities:			
Swap contracts:			
Foreign exchange swaps	USD 82,500	B/S USD / TWD	April 13, 2021~ June 18, 2021

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

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

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

	March 31, 2022	December 31, 2021	March 31, 2021
Equity investments at fair value through other comprehensive income:			
Stock unlisted on domestic markets	\$ <u>57,173</u>	<u>26,169</u>	<u>31,663</u>

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (i) For the three months ended March 31, 2022 and 2021, unrealized gains from above-mentioned equity measured at fair value were \$31,004 and \$528, respectively, recognized under other comprehensive income.
- (ii) There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments for the three months ended March 31, 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:

	March 31, 2022	December 31, 2021	March 31, 2021
Cash flow hedge:			
Financial assets used for hedging:			
Foreign exchange forward contracts	\$ 34,000	-	7,557

- (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 March 31, 2022 and 2021, the amounts relating to the items designated as hedging instruments were as follows:

		March 31, 2022			
		Contract amount (in thousands)	Currency	Maturity date	Average strike price
Derivative financial assets used for hedging					
Forward contracts:					
Foreign exchange forward	EUR	37,000	Sell EUR / USD	April 28, 2022~ September 29, 2022	1.1511
		March 31, 2021			
		Contract amount (in thousands)	Currency	Maturity date	Average strike price
Derivative financial assets used for hedging					
Forward contracts:					
Foreign exchange forward	EUR	6,000	Sell EUR / USD	April 29, 2021~ June 29, 2021	1.2192

(Continued)

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 ended March 31, 2022 and 2021, the details of adjustments on reclassification from components other comprehensive income were as follows:

	For the three months ended March 31,	
	2022	2021
Cash flow hedge		
Profit in current period	\$ 34,000	11,975
Less: Net income of adjustments on reclassification from components of other comprehensive income which belongs to net income	-	2,226
Net profit recognized in other comprehensive income	\$ 34,000	9,749

(iv) For the three months ended March 31, 2022 and 2021, there are no ineffective portion of cash flow hedge recognized in gain or loss.

(v) For the three months ended March 31, 2021, gain of adjustments from reclassification of other equity, deriving from the changes of fair value for hedge instruments, were recognized under operating revenues in statement of comprehensive income.

(e) Notes and accounts receivable

	March 31, 2022	December 31, 2021	March 31, 2021
Notes receivable from operating activities	\$ 20,556	10,305	18,029
Accounts receivable – measured at amortized cost	9,291,250	7,411,501	6,708,328
Accounts receivable – fair value through other comprehensive income	476,850	298,642	279,566
	9,788,656	7,720,448	7,005,923
Less: allowance for uncollectible accounts	(30,644)	(28,152)	(29,260)
	\$ 9,758,012	7,692,296	6,976,663

The Group has assessed a portion of its accounts receivable that was 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.

(Continued)

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 March 31, 2022, December 31 and March 31, 2021 were determined as follows:

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

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>	

March 31, 2021				
Credit rating	Gross carrying amount	Weighted-average loss rate	Loss allowance provision	Credit impaired
Level A	\$ 2,632,376	0%	-	No
Level B	3,660,773	0.10%	3,700	No
Level C	694,186	1.00%	6,972	No
Level D	-	-	-	-
Level E	<u>18,588</u>	100%	<u>18,588</u>	Yes
Total	<u><u>\$ 7,005,923</u></u>		<u><u>29,260</u></u>	

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	March 31, 2022	December 31, 2021	March 31, 2021
Overdue 1~30 days	\$ 496,569	485,866	301,103
Overdue 31~60 days	115,821	133,034	72,717
Overdue 61~90 days	64,798	21,897	20,154
Overdue 91~180 days	12,743	12,376	3,335
Overdue over 181 days	<u>26,574</u>	<u>25,726</u>	<u>18,588</u>
	<u>\$ 716,505</u>	<u>678,899</u>	<u>415,897</u>

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

	For the three months ended March 31,	
	2022	2021
Balance at January 1	\$ 28,152	26,831
Impairment loss recognized	<u>2,492</u>	<u>2,429</u>
Balance at March 31	<u>\$ 30,644</u>	<u>29,260</u>

As of March 31, 2022, December 31 and March 31, 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 March 31, 2022, December 31 and March 31, 2021, there were unreceived balances of transferred accounts receivable amounted to \$0, \$958 and \$28,237, 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

March 31, 2021							
Purchaser	Accounts receivable factored (gross)	Amount Unpaid	Advanced Paid	Amount Recognized in other receivables	Collateral	Amount derecognized	Interest rate
Financial institutions	\$ <u>245,883</u>	<u>-</u>	<u>217,646</u>	<u>28,237</u>	None	<u>245,883</u>	0.64%

(f) Inventories

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

	March 31, 2022	December 31, 2021	March 31, 2021
Raw materials	\$ 6,764,510	6,150,112	5,337,370
Work in progress	1,104,343	660,661	653,291
Finished goods	<u>5,767,131</u>	<u>5,685,646</u>	<u>3,801,924</u>
	<u>\$ 13,635,984</u>	<u>12,496,419</u>	<u>9,792,585</u>

(ii) Inventory cost recognized as operating cost for the three months ended March 31, 2022 and 2021 were as follows:

	For the three months ended March 31,	
	2022	2021
Cost of sales and expenses	\$ 8,699,004	8,263,030
Provision for inventory valuation and obsolescence loss	<u>185,933</u>	<u>5,044</u>
	<u>\$ 8,884,937</u>	<u>8,268,074</u>

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

(g) Investments accounted for using equity method

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

	March 31, 2022	December 31, 2021	March 31, 2021
Aggregate carrying amount of the Group's associates that are individually insignificant	<u>\$ 312,425</u>	<u>324,178</u>	<u>337,673</u>

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Share of associates attributed to the Group were as follows:

	For the three months ended March 31,	
	2022	2021
Net income (loss) from continuing operations	\$ 266	(713)
Other comprehensive income (loss)	27	(91)
Total comprehensive income	\$ 293	(804)

(ii) As of March 31, 2022, December 31 and March 31, 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 three months ended March 31, 2022 and 2021 were as follows:

	Land	Buildings and construction	Machinery and equipment	Research and development equipment	Mold equipment	Leasehold improvement and other equipment	Construction in progress and prepayment for purchase of equipment	Total
Cost or deemed cost:								
Balance at January 1, 2022	\$ 878,978	1,512,417	2,484,758	697,267	222,181	462,135	19,129	6,276,865
Additions	-	6,017	346,812	11,608	3,862	5,223	42,934	416,456
Reclassifications	-	5,101	8,005	-	-	5,895	(21,166)	(2,165)
Disposals and derecognitions	-	-	(20,533)	(22,568)	(460)	(7,096)	-	(50,657)
Effect of movements in exchange rates	-	21,979	80,339	1,013	411	6,200	289	110,231
Balance at March 31, 2022	\$ 878,978	1,545,514	2,899,381	687,320	225,994	472,357	41,186	6,750,730
Balance at January 1, 2021	\$ 463,262	828,128	2,196,610	587,071	212,438	723,336	28,249	5,039,094
Additions	-	-	119,464	17,810	792	166,450	31,413	335,929
Reclassifications	-	-	-	1,666	-	4,762	(6,428)	-
Disposals and derecognitions	-	-	(22,134)	(2,449)	(5,275)	(1,780)	-	(31,638)
Effect of movements in exchange rates	-	-	4,282	41	10	1,329	97	5,759
Balance at March 31, 2021	\$ 463,262	828,128	2,298,222	604,139	207,965	894,097	53,331	5,349,144
Depreciation:								
Balance at January 1, 2022	\$ -	117,853	1,508,894	419,902	182,781	284,922	-	2,514,352
Depreciation	-	11,093	81,953	17,817	5,040	12,615	-	128,518
Reclassifications	-	-	(404)	-	-	-	-	(404)
Disposals and derecognitions	-	-	(15,702)	(13,874)	(460)	(6,330)	-	(36,366)
Effect of movements in exchange rates	-	214	43,769	1,046	154	3,647	-	48,830
Balance at March 31, 2022	\$ -	129,160	1,618,510	424,891	187,515	294,854	-	2,654,930
Balance at January 1, 2021	\$ -	98,676	1,562,332	383,779	176,630	299,668	-	2,521,085
Depreciation	-	4,267	50,144	14,717	4,170	19,069	-	92,367
Reclassifications	-	-	-	-	-	-	-	-
Disposals and derecognitions	-	-	(22,128)	(2,448)	(5,274)	(1,779)	-	(31,629)
Effect of movements in exchange rates	-	-	3,262	9	5	230	-	3,506
Balance at March 31, 2021	\$ -	102,943	1,593,610	396,057	175,531	317,188	-	2,585,329

(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
Carrying amounts:								
Balance at March 31, 2022	\$ 878,978	1,416,354	1,280,871	262,429	38,479	177,503	41,186	4,095,800
Balance at January 1, 2022	\$ 878,978	1,394,564	975,864	277,365	39,400	177,213	19,129	3,762,513
Balance at March 31, 2021	\$ 463,262	725,185	704,612	208,082	32,434	576,909	53,331	2,763,815
Balance at January 1, 2021	\$ 463,262	729,452	634,278	203,292	35,808	423,668	28,249	2,518,009

(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 March 31, 2022, December 31 and March 31, 2021, the Group did not provide any property, plant and equipment as collaterals.

(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 three months ended March 31, 2022 and 2021 were as follow:

	Land	Buildings	Machinery Equipment	Vehicles and Other	Total
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	-	(13,291)	(81,081)	-	(94,372)
Effect of movements in exchange rates	9,465	9,411	-	-	18,876
Balance at March 31, 2022	\$ 307,172	372,232	-	24,362	703,766
Balance at January 1, 2021	\$ 306,311	423,832	81,081	10,648	821,872
Additions	-	-	-	5,982	5,982
Disposal/write-off	-	-	-	(2,278)	(2,278)
Effect of movements in exchange rates	323	280	-	-	603
Balance at March 31, 2021	\$ 306,634	424,112	81,081	14,352	826,179

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Buildings</u>	<u>Machinery Equipment</u>	<u>Vehicles and Other</u>	<u>Total</u>
Depreciation:					
Balance at January 1, 2022	\$ 11,973	108,727	41,891	6,529	169,120
Depreciation	1,651	21,641	-	1,846	25,138
Disposal/Write-off	-	(11,445)	(41,891)	-	(53,336)
Effect of movements in exchange rates	415	3,296	-	-	3,711
Balance at March 31, 2022	<u>\$ 14,039</u>	<u>122,219</u>	<u>-</u>	<u>8,375</u>	<u>144,633</u>
Balance at January 1, 2021	\$ 5,600	60,568	25,675	6,605	98,448
Depreciation	1,673	23,094	4,054	1,316	30,137
Disposal/write-off	-	-	-	(2,278)	(2,278)
Effect of movements in exchange rates	14	128	-	-	142
Balance at March 31, 2021	<u>\$ 7,287</u>	<u>83,790</u>	<u>29,729</u>	<u>5,643</u>	<u>126,449</u>
Carrying amount:					
Balance on March 31, 2022	<u>\$ 293,133</u>	<u>250,013</u>	<u>-</u>	<u>15,987</u>	<u>559,133</u>
Balance at January 1, 2022	<u>\$ 285,734</u>	<u>251,382</u>	<u>39,190</u>	<u>10,001</u>	<u>586,307</u>
Balance at March 31, 2021	<u>\$ 299,347</u>	<u>340,322</u>	<u>51,352</u>	<u>8,709</u>	<u>699,730</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>

(j) Intangible Assets

The cost and accumulated amortization of intangible assets of the Group for the three months ended March 31, 2022 and 2021 were as follows:

	<u>Goodwill</u>	<u>Authorization fee</u>	<u>Computer software and others</u>	<u>Total</u>
Carrying amount:				
March 31, 2022	<u>\$ 6,556</u>	<u>6,384</u>	<u>95,002</u>	<u>107,942</u>
January 1, 2022	<u>\$ 6,556</u>	<u>7,008</u>	<u>101,464</u>	<u>115,028</u>
March 31, 2021	<u>\$ 6,556</u>	<u>10,209</u>	<u>54,325</u>	<u>71,090</u>
January 1, 2021	<u>\$ 6,556</u>	<u>11,276</u>	<u>57,468</u>	<u>75,300</u>

There were no significant addition, disposal, recognition and reversal of impairment losses on intangible assets for the three months ended March 31, 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 March 31, 2022, December 31 and March 31, 2021, the Group did not provide any intangible assets as collaterals.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Short-term borrowings

	March 31, 2022	December 31, 2021	March 31, 2021
Unsecured bank loans	<u>\$ 4,879,832</u>	<u>4,363,580</u>	<u>310,000</u>
Unused credit line for short-term borrowings	<u>\$ 8,056,517</u>	<u>6,236,932</u>	<u>9,526,871</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

	March 31, 2022	December 31, 2021	March 31, 2021
Temporary receipts–non-recurring engineering revenue and collection on behalf of others	\$ 706,813	465,910	526,566
Others	<u>303,883</u>	<u>268,889</u>	<u>165,713</u>
	<u>\$ 1,010,696</u>	<u>734,799</u>	<u>692,279</u>

(m) Unsecured convertible bonds payable

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

	March 31, 2022	December 31, 2021	March 31, 2021
Total convertible bonds issued	\$ 1,000,000	1,000,000	1,000,000
Unamortized discounts on bonds payable	(44)	(1,433)	(15,219)
Unamortized issuance cost on bonds payable	(208)	(496)	(1,035)
Accumulated converted amount	<u>(893,000)</u>	<u>(671,500)</u>	<u>(4,200)</u>
Balance of bonds payable as of the reporting date	<u>\$ 106,748</u>	<u>326,571</u>	<u>979,546</u>
Conversion options included in equity components (recognized as capital surplus-stock options)	<u>\$ 5,207</u>	<u>15,987</u>	<u>48,463</u>
		For the three months ended March 31,	
		2022	2021
Interest expenses		<u>\$ 746</u>	<u>3,457</u>

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (ii) As the maturity date of the convertible bonds is on June 6, 2022, therefore, the convertible bonds are reclassified under current liabilities as of June 30, 2021.
- (iii) As of March 31, 2022 and 2021, the convertible bonds with a par value of \$221,500 and \$4,200 were converted into ordinary shares of the Company with \$26,848 and \$479, and the capital surplus were recognized with \$204,500 and \$3,856 (including the stock options reclassified as additional paid-in capital of \$10,780 and \$204 and the unamortized discounts on bonds payable of \$932 and \$69).
- (iv) The Group did not issue or repurchase bonds payable for the three months ended March 31, 2022 and 2021. Please refer to Note (6)(m) of the 2021 annual consolidated financial statements for other related information.

(n) Lease liabilities

The details of lease liabilities were as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Current	\$ <u>99,158</u>	<u>86,426</u>	<u>84,262</u>
Non-current	\$ <u>193,606</u>	<u>197,303</u>	<u>280,777</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 March 31,	
	2022	2021
Interest expense on lease liabilities	\$ <u>5,198</u>	<u>3,218</u>
Expenses relating to short-term leases	\$ <u>8,649</u>	<u>11,084</u>

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

	For the three months ended March 31,	
	2022	2021
Total cash outflow for leases	\$ <u>34,278</u>	<u>35,697</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.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Other leases

The Group leases offices and parts of vehicles with contract terms of 1 years. 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 three months ended March 31, 2022 and 2021. Please refer to Note (6)(o) of the 2021 annual consolidated financial statements for other related information.

(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, 2022 and 2021.

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

	For the three months ended	
	March 31,	
	2022	2021
Operating costs	\$ 41	77
Selling expenses	46	59
Administrative expenses	84	82
Research and development expenses	183	300
	\$ 354	518

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Defined contribution plans

The pension expenses of the Company and domestic subsidiaries under the pension plan contributed to the Bureau of Labor Insurance for the three months ended March 31, 2022 and 2021 were as follows:

	For the three months ended March 31,	
	2022	2021
Operating costs	\$ 471	912
Selling expenses	1,127	1,273
Administrative expenses	1,761	1,265
Research and development expenses	9,555	8,995
	\$ 12,914	12,445

Other subsidiaries recognized the pension expenses, basic endowment insurance expenses, and social welfare expenses amounting to \$15,535 and \$13,393 for the three months ended March 31, 2022 and 2021, respectively.

(q) Income taxes

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

The amount of income tax expenses were as follows:

	For the three months ended March 31,	
	2022	2021
Income tax expense	\$ 132,298	128,798

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

	For the three months ended March 31,	
	2022	2021
Items that might be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	\$ 15,660	34

- (iii) The ROC tax authorities have examined the income tax returns of Acbel Telecom through 2021, the Company and ZHI-BAO through 2020, TTI through 2019. However, TTI's tax returns of 2018 and 2020 have not been approved yet. The relevant approved differences have been reflected as income tax adjustments in the determining year.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) Capital and other equities

Except for the following disclosures, there was no significant change for capital and other equities for the periods from January 1 to March 31, 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 \$88 and \$329, respectively, had been cancelled due to failure in meeting the vested requirements for the three months ended March 31, 2022 and 2021. As of the reporting date, the registration procedures had been completed.

For the three months ended March 31, 2022 and 2021, by the request of bonds holders, the convertible bonds issued by the Company were converted into ordinary shares of \$26,848 with 2,685 thousand and \$479 with 48 thousand new shares issued at par value, respectively. As of the reporting date, except for the amount of \$1,762, the registration procedures had already been completed.

(ii) Capital surplus

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>March 31,</u> <u>2021</u>
Additional paid-in capital-premium	\$ 3,930,110	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	1,627	-	5,488
Issuance of convertible bonds	5,207	15,987	48,463
Issuance of employee restricted shares	<u>69,787</u>	<u>69,699</u>	<u>115,497</u>
	<u>\$ 4,010,429</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 from January 1 to March 31, 2022 and 2021 were \$204,500 and \$3,856 (including the stock options reclassified as additional paid in capital-premium of \$10,780 and \$204 and the unamortized discounts on bonds payable of \$932 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 (\$1.0 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.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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.

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 Board of Directors meeting held on March 10, 2022 and the shareholders meeting held 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	5.8	\$ <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 during the periods from January 1 to March 31, 2022 and 2021. For the related information, please refer to note (6)(s) of the 2021 annual consolidated financial statements for other related information.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(t) Earnings per share

	For the three months ended March 31,	
	2022	2021
Basic earnings per share		
Net income attributable to ordinary shareholders of the Company	\$ 389,825	454,417
Weighted average number of ordinary shares (in thousands)	216,221	206,106
	\$ 1.80	2.20
Diluted earnings per share		
Net income attributable to ordinary shareholders of the Company (diluted)	\$ 390,571	457,874
Weighted average number of ordinary shares (in thousands)	216,221	206,106
Effect of dilutive potential ordinary shares:		
Effect of remuneration to employees	2,687	2,922
Effect of employee restricted shares unvested	1,212	1,808
Convertible bonds payable	2,970	11,399
Weighted-average number of ordinary shares (diluted) (in thousands)	223,090	222,235
	\$ 1.75	2.06

(u) Revenue from contracts with customers

(i) Details of revenue

	For the three months ended March 31,	
	2022	2021
Primary geographical markets:		
Europe	\$ 4,818,104	5,220,010
America	3,533,122	2,527,152
Asia and others	1,948,453	1,877,653
	\$ 10,299,679	9,624,815
Major products:		
Smart Home Solution	\$ 4,929,346	5,920,552
Broadband Solution	2,679,628	3,244,666
Mobility Solution	2,266,256	284,216
Others	424,449	175,381
	\$ 10,299,679	9,624,815

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Contract balances

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>March 31,</u> <u>2021</u>
Notes and accounts receivable	\$ 9,788,656	7,720,448	7,005,923
Less: allowance for uncollectible accounts	<u>(30,644)</u>	<u>(28,152)</u>	<u>(29,260)</u>
Total	<u>\$ 9,758,012</u>	<u>7,692,296</u>	<u>6,976,663</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 \$64,040 and \$80,719 for the three months ended March 31, 2022 and 2021, respectively. The remuneration of directors amounted to \$3,602 and \$4,352 for the three months ended March 31, 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 is no differences between the amounts approved by the Board of Directors and those recognized in the financial statements, and the related information can be accessed through the Market Observation Post System website.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(w) Financial instruments

Except for those described below, The Group's there were no significant changes on fair value, credit risk, liquidity risk and market risk of 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 receivables, 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 loss allowance provision as of March 31, 2022 and 2021 were determined as follows:

	<u>Other receivables</u>
Balance at January 1, 2022	\$ 3
Impairment loss recognized	436
Balance at March 31, 2022	<u>\$ 439</u>
Balance at January 1, 2021	\$ 45
Impairment loss recognized	8
Balance at March 31, 2021	<u>\$ 53</u>

(ii) Liquidity risk

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

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
March 31, 2022					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 4,879,832	(4,879,832)	(4,879,832)	-	-
Accounts payable (including related parties)	10,397,721	(10,397,721)	(10,397,721)	-	-
Other payables	3,580,140	(3,580,140)	(3,580,140)	-	-
Dividends payable	1,478,382	(1,478,382)	(1,478,382)	-	-
Bonds payable	106,748	(107,000)	(107,000)	-	-
Lease liability – current and non-current	292,764	(309,787)	(108,550)	(95,281)	(105,956)
Deposits received	32,218	(32,218)	(32,218)	-	-

(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:	5,455				
Outflow		(375,325)	(375,325)	-	-
Inflow		370,033	370,033	-	-
Foreign exchange swaps	45,730				
Outflow		(2,856,000)	(2,856,000)	-	-
Inflow		2,814,500	2,814,500	-	-
	<u>\$ 20,818,990</u>	<u>(20,831,872)</u>	<u>(20,630,635)</u>	<u>(95,281)</u>	<u>(105,956)</u>
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>

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

March 31, 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	\$ 310,000	(310,000)	(310,000)	-	-
Accounts payable (including related parties)	12,041,745	(12,041,745)	(12,041,745)	-	-
Other payables (including related parties)	2,765,583	(2,765,583)	(2,765,583)	-	-
Dividends payable	1,354,448	(1,354,448)	(1,354,448)	-	-
Bonds payable	979,546	(995,800)	-	(995,800)	-
Lease liability— current and non-current	365,039	(391,452)	(95,200)	(89,688)	(206,564)
Deposits received	30,695	(30,695)	(30,695)	-	-
Derivative financial liabilities					
Foreign exchange swaps:	28,142				
Outflow		(2,352,075)	(2,352,075)	-	-
Inflow		2,325,080	2,325,080	-	-
	<u>\$ 17,875,198</u>	<u>(17,916,718)</u>	<u>(16,624,666)</u>	<u>(1,085,488)</u>	<u>(206,564)</u>

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

(iii) Market risk

1) Exposure to foreign currency risk

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

Unit: thousands of foreign currency

	<u>March 31, 2022</u>			<u>December 31, 2021</u>			<u>March 31, 2021</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
Financial assets									
Monetary items									
USD	\$ 611,134	USD/TWD =28.56	17,453,987	484,260	USD/TWD =27.68	13,404,317	413,420	USD/TWD =28.51	11,786,604
EUR	70,605	EUR/TWD =31.79	2,244,533	52,311	EUR/TWD =31.32	1,638,381	46,045	EUR/TWD =33.46	1,540,666
Financial liabilities									
USD	637,695	USD/TWD =28.56	18,212,569	600,011	USD/TWD =27.68	16,608,304	477,061	USD/TWD =28.51	13,601,009
EUR	28,121	EUR/TWD =31.79	893,967	27,365	EUR/TWD =31.32	857,072	5,007	EUR/TWD =33.46	167,534

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 March 31, 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>March 31,</u> <u>2022</u>	<u>March 31,</u> <u>2021</u>
USD (against the TWD)		
Strengthening 5%	\$ (37,929)	(90,720)
Weakening 5%	37,929	90,720
EUR (against the TWD)		
Strengthening 5%	67,528	68,657
Weakening 5%	(67,528)	(68,657)

3) Exchange gains and losses of monetary items

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three months ended March 31, 2022 and 2021, the foreign exchange (loss) gain (including realized and unrealized portions) amounted to \$48,706 and \$(97,123), respectively.

(iv) Interest rate analysis

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

	<u>Carrying amount</u>	
	<u>March 31,</u> <u>2022</u>	<u>March 31,</u> <u>2021</u>
Fixed rate financial instrument:		
Financial assets	\$ 4,102,231	6,243,867
Financial liabilities	<u>(4,986,580)</u>	<u>(1,289,546)</u>
	<u>\$ (884,349)</u>	<u>4,954,321</u>
Variable rate financial instrument:		
Financial assets	<u>\$ 1,948,994</u>	<u>3,104,623</u>

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The following sensitivity analysis is based on the risk exposure to interest rate for the derivative and 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 is expressed as the interest rate increase or decrease by 0.25% when reporting to management internally, 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 \$1,218 and \$1,940 for the three months ended March 31, 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.

	March 31, 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	\$ 17,863	-	17,863	-	17,863
Non derivative financial assets mandatorily measured at fair value through profit or loss	<u>38,973</u>	-	-	38,973	38,973
Subtotal	<u>56,836</u>				
Financial assets used for hedging	<u>34,000</u>	-	34,000	-	34,000
Financial assets measured at fair value through other comprehensive income					
Stocks unlisted on domestic markets	57,173	-	-	57,173	57,173
Accounts receivable	<u>476,850</u>	-	476,850	-	476,850
Subtotal	<u>534,023</u>				
Financial assets measured at amortized cost:					
Cash and cash equivalents	6,054,415	-	-	-	-
Notes and accounts receivable, net	9,758,012	-	-	-	-
Other receivables	187,413	-	-	-	-
Refundable deposits	<u>63,485</u>	-	-	-	-
Subtotal	<u>16,063,325</u>				
Total	<u>\$ 16,688,184</u>				

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	March 31, 2022				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ 51,185	-	51,185	-	51,185
Financial liabilities measured at amortized cost					
Short-term borrowings	4,879,832	-	-	-	-
Accounts payable (including related parties)	10,397,721	-	-	-	-
Other payables	3,580,140	-	-	-	-
Dividends payable	1,478,382	-	-	-	-
Bonds payable	106,748	-	-	-	-
Lease liabilities—current and non-current	292,764	-	-	-	-
Deposits received	32,218	-	-	-	-
Subtotal	<u>20,767,805</u>				
Total	<u>\$ 20,818,990</u>				
	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>				

(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 liabilities at fair value through profit or loss						
Derivative financial liabilities	\$	1,589	-	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		29,711	-	-	-	-
Subtotal		<u>18,633,839</u>				
Total	\$	<u>18,635,428</u>				
		March 31, 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	\$	32,692	-	32,692	-	32,692
Non-derivative financial assets mandatorily measured at fair value through profit or loss		<u>172,572</u>	-	130,693	41,879	172,572
Subtotal		<u>205,264</u>				
Financial assets for hedging		<u>7,557</u>	-	7,557	-	7,557
Financial assets measured at fair value through other comprehensive income						
Stocks unlisted in domestic markets		31,663	-	-	31,663	31,663
Accounts receivable		<u>279,566</u>	-	279,566	-	279,566
Subtotal		<u>311,229</u>				
Financial assets measured at amortized cost						
Cash and cash equivalents		9,341,072	-	-	-	-
Notes and accounts receivable, net		6,697,097	-	-	-	-
Other receivables		155,299	-	-	-	-
Refundable deposits		<u>94,413</u>	-	-	-	-
Subtotal		<u>16,287,881</u>				
Total	\$	<u>16,811,931</u>				

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	March 31, 2021				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ <u>28,142</u>	-	28,142	-	28,142
Financial liabilities at amortized cost					
Short-term borrowings	310,000	-	-	-	-
Accounts payable (including related parties)	12,041,745	-	-	-	-
Other payables (including related parties)	2,765,583	-	-	-	-
Dividends payable	1,354,448	-	-	-	-
Bonds payable	979,546	-	-	-	-
Lease liabilities—current and non-current	365,039	-	-	-	-
Deposits received	<u>30,695</u>	-	-	-	-
Subtotal	<u>17,847,056</u>				
Total	<u>\$ 17,875,198</u>				

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.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 currency rate.

4) Transfers between Level 1 and Level 2

There were no transfers from level 2 to level 1 for the three months ended March 31, 2022 and 2021.

5) Reconciliation of Level 3 fair values

	Fair value through profit of loss	Fair value through other comprehensive income
	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	1,498	-
In other comprehensive income	-	31,004
Balance at March 31, 2022	<u>\$ 38,973</u>	<u>57,173</u>
Balance at January 1, 2021	\$ 42,840	31,135
Total gains and losses recognized		
In profit or loss	(961)	-
In other comprehensive income	-	528
Balance at March 31, 2021	<u>\$ 41,879</u>	<u>31,663</u>

For the three months ended March 31, 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:

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the three months ended	
	March 31,	
	2022	2021
Total gains and losses recognized:		
In profit or loss, and presented in “Gains and losses on financial assets(liabilities) at fair value through profit or loss”	\$ <u>1,498</u>	<u>(961)</u>
In other comprehensive income, and presented in “unrealized gains and losses from investments in equity instruments measured at fair value through other comprehensive income”	\$ <u>31,004</u>	<u>528</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 (1.51~4.48, 1.58~5.31 and 1.73~5.81 on March 31, 2022, December 31 and March 31, 2021, respectively) · Lack-of-Marketability discount rate (30% on March 31, 2022, December 31 and March 31, 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>
March 31, 2022				
Financial assets measured at fair value through other comprehensive income	Price-Book ratio multiples	5%	\$ <u>2,879</u>	<u>2,890</u>
	Lack-of-Marketability discount rate	5%	\$ <u>1,233</u>	<u>1,233</u>
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>
March 31, 2021				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	\$ <u>1,615</u>	<u>1,609</u>
	Lack-of-Marketability discount rate	5%	\$ <u>689</u>	<u>688</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 in a single input, and it does not consider the interrelationships and variability with another inputs.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

8) Offsetting financial assets and financial liabilities

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

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

Unit: In thousand dollars of TWD and USD

March 31, 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 (Note)	Cash collateral received	
Other current assets	\$ 6,928,542	6,928,542	-	-	-	-
	(USD 242,596)	(USD 242,596)				

March 31, 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 (Note)	Cash collateral received	
Short-term borrowings	\$ 6,928,542	6,928,542	-	-	-	-
	(USD 242,596)	(USD 242,596)				

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 (Note)	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 (Note)	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

March 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 (Note)	Cash collateral received	
Other current assets	\$ 5,043,338	5,043,338	-	-	-	-
	(USD 176,897)	(USD 176,897)				

March 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 (Note)	Cash collateral received	
Short-term borrowings	\$ 5,043,338	5,043,338	-	-	-	-
	(USD 176,897)	(USD 176,897)				

(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 three months ended March 31, 2022 and 2021 were as follows:

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

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

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	January 1, 2021	Cash flows	Non-cash changes Other	March 31, 2021
Short-term borrowings	\$ 707,795	(397,795)	-	310,000
Lease liabilities	380,816	(21,395)	5,618	365,039
Bonds payable	980,219	-	(673)	979,546
Deposits received	<u>2,073</u>	<u>28,510</u>	<u>112</u>	<u>30,695</u>
Total liabilities from financing activities	<u>\$ 2,070,903</u>	<u>(390,680)</u>	<u>5,057</u>	<u>1,685,280</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.

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

(c) Significant related party transactions

(i) Purchases of goods from related parties

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

	For the three months ended March 31,	
	<u>2022</u>	<u>2021</u>
Parent Company	\$ 360,577	529
Other related parties	<u>36,559</u>	<u>28,105</u>
	<u>\$ 397,136</u>	<u>28,634</u>

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The terms and 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 the payment terms 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 ended March 31, 2022 and 2021 were as follows:

	For the three months ended March 31,	
	2022	2021
Other related parties	\$ 310	4,780

(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 terminated on January 31, 2022. For the three months ended March 31, 2022 and 2021, the Group recognized the interest expenses of \$0 and \$95, respectively. As of March 31, 2022, December 31 and March 31, 2021, the balance of lease liabilities amounted to \$0, \$1,200 and \$4,763, 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 \$51,352 as of December 31 and March 31, 2021, respectively.

(iv) Property transaction

The Group purchased machinery equipment from other related parties—CVC for the three months ended March 31, 2022. The transaction amount of \$40,325 had been paid.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Payables to related parties

The payables to related parties were as follows:

<u>Account</u>	<u>Related party categories</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Accounts payable	Parent Company	\$ 364,983	14,034	530
Accounts payable	Other related parties	49,094	39,091	42,744
		<u>\$ 414,077</u>	<u>53,125</u>	<u>43,274</u>
Other payables	Other related parties	\$ -	-	2,224

(vi) Receivables from related parties

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

<u>Account</u>	<u>Related party categories</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Other receivables	Other related parties	\$ <u>19,458</u>	<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>March 31,</u>	
	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 22,225	28,234
Post-employment benefits	291	315
Share-based payments	844	1,443
	<u>\$ 23,360</u>	<u>29,992</u>

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

(Continued)

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>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Other current assets	Bail for court mandatory execution	\$ -	-	<u>41,090</u>

(9) Commitments and contingencies: None**(10) Losses Due to Major Disasters: None****(11) Subsequent Events: None****(12) Other:**

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

By function By item	For the three months ended March 31, 2022			For the three months ended March 31, 2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	180,617	413,995	594,612	197,710	408,310	606,020
Labor and health insurance	8,075	34,353	42,428	8,029	32,684	40,713
Pension	12,566	16,237	28,803	12,450	13,906	26,356
Others	152,706	18,779	171,485	153,782	14,930	168,712
Depreciation	116,740	36,916	153,656	88,180	34,324	122,504
Amortization	245	11,973	12,218	1,655	6,821	8,476

- (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 following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the three months ended March 31, 2022:

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Loans to other parties:

Unit: In thousand dollars of TWD and 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)	Note
													Item	Value			
0	The Company	Arcadyan do Brasil Ltda	Other receivables	Yes	35,867 (USD1,300)	-	-	1%	2	-	Operating demand	-	-	-	2,384,680	4,769,361	The transactions had been eliminated in the consolidated financial statements.
0	"	Arcadyan do Brasil Ltda	"	Yes	57,120 (USD2,000)	57,120 (USD2,000)	37,128 (USD1,300)	1%	2	-	Operating demand	-	-	-	2,384,680	4,769,361	"
0	"	Arcadyan Technology (Vietnam) Co. Ltd.	"	Yes	285,250 (USD10,000)	-	-	1%	1	4,483,920 (USD157,000)	-	-	-	-	2,384,680	4,769,361	"
0	"	Arcadyan Technology (Vietnam) Co. Ltd.	"	Yes	285,600 (USD10,000)	285,600 (USD10,000)	-	1%	1	13,651,680 (USD478,000)	-	-	-	-	2,384,680	4,769,361	"
0	"	Arcadyan Technology Corporation (Russia), LLC	"	Yes	28,560 (USD1,000)	28,560 (USD1,000)	-	1%	1	389,473 (USD13,637)	-	-	-	-	311,578 (USD10,909)	4,769,361	"
1	Arcadyan Holding	CNC	"	Yes	485,520 (USD17,000)	485,520 (USD17,000)	485,520 (USD17,000)	1%	2	-	Operating demand	-	-	-	2,333,540	2,333,540	"

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 \$28.65(USD) and \$0.3300(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	1,589,787	214,200 (USD7,500)	214,200 (USD7,500)	-	-	1.80 %	4,769,361	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. Endorsements/ guarantees the Company and the Group are permitted to make for a single company shall not exceed one third of the amount aforementioned.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (iii) Securities held as of March 31, 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.	-	"	-	38,973	7.49 %	38,973	
"	Chimei Motor Electronic Co Ltd.	-	Financial assets at fair value through other comprehensive income—non-current	1,650	57,173	5.59 %	57,173	
"	Golden Smart home Technology Corp.	-	"	1,229	-	5.61 %	-	

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None
- (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)	(359,690)	(4)%	Net 150 days from delivery	-	-	484,320	5 %	Note 3
"	Arcadyan USA	"	(Sales)	(3,057,935)	(31)%	Net 120 days from delivery	-	-	3,411,391	38 %	Note 3
"	Arcadyan AU	"	(Sales)	(140,886)	(1)%	Net 60 days from the end of the month of delivery	-	-	106,356	1 %	Note 3
"	CNC	"	Purchases	2,036,437	14 %	Net 120 days from delivery	According to cost plus pricing	-	(1,155,688)	(8)%	Note 1、3
"	Arcadyan Vietnam	"	Purchases	460,748	3 %	Net 180 days from the end of the month of delivery	"	-	Note 2	- %	Note 1、3
"	Compal Electronics, INC.	Parent company	Purchases	360,577	3 %	Net 60 days from the end of the month of delivery	-	-	(364,983)	(3)%	-
CNC	The Company	Parent company	(Sales)	(2,036,437)	(100)%	Net 120 days from delivery	"	-	1,155,688	- %	Note 1、3

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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)		
Arcadyan Vietnam	The Company	Parent company	(Sales)	(460,748)	(100)%	Net 180 days from the end of the month of delivery	"	-	Note 2	-	%	Note 1 - 3
Arcadyan Germany	"	"	Purchases	359,690	100 %	Net 150 days from delivery	-	-	(484,320)	(100)%		Note 3
Arcadyan USA	"	"	Purchases	3,057,935	100 %	Net 120 days from the end of the month of delivery	-	-	(3,411,391)	(100)%		Note 3
Arcadyan AU	"	"	Purchases	140,886	100 %	Net 60 days from the end of the month of delivery	-	-	(106,356)	(100)%		Note 3

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

Note 2: As of March 31, 2022, the other receivables were amounted to \$2,335,906 thousand.

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

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

Unit: In thousand dollars of TWD

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note 3)	Allowance for bad debts
					Amount	Action taken		
The Company	Arcadyan Germany	Subsidiary	484,320	3.83	-		136,983	-
"	Arcadyan USA	"	3,411,391	4.50	-		402,917	-
"	Arcadyan AU	"	106,356	8.68	-		21,588	-
"	Arcadyan Vietnam	"	2,335,906 (Note 2)	Note 2	-		-	-
CNC	The Company	Parent company	1,155,688 (Note 1)	5.12	-		399,727	-

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

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

Note 3: Balance as of April 28, 2022.

(ix) Trading in derivative instruments: Please refer to notes (6)(b) and (6)(d)

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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	359,690	There is no significant difference of price between general customers'. The credit period is net 150 days from delivery.	3.49 %
"	"	"	1	Accounts Receivable	484,320	"	1.36 %
"	"	Arcadyan USA	1	Sales Revenue	3,057,935	There is no significant difference of price between general customers'. The credit period is net 120 days from delivery.	29.69 %
"	"	"	1	Accounts Receivable	3,411,391	"	9.58 %
"	"	Arcadyan AU	1	Sales Revenue	140,886	There is no significant difference of price between general customers'. The credit period is net 60 days from the end of the month of delivery.	1.37 %
"	"	"	1	Accounts Receivable	106,356	"	0.30 %
"	"	Arcadyan Vietnam	1	Other Receivable	2,335,906	The credit period is net 180 days from the end of the month of delivery and depended on funding demand.	6.56 %
1	CNC	The Company	2	Processing Revenue	2,036,437	The price is based on the operating cost-plus. The credit period is net 120 days from delivery and depended on funding demand.	19.77 %
"	"	"	2	Accounts Receivable	1,155,688	"	3.25 %
2	Arcadyan Vietnam	The Company	2	Processing Revenue	460,748	The credit period is net 180 days from the end of the month of delivery and depended on funding demand.	4.47 %

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.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the three months ended March 31, 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 March 31, 2022			Net Income (Losses) of the Investee	Investment Income (losses)	Note
				March 31, 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%	2,241,075	(156,489)	(156,489)	Note 2 · 4
The Company	Arcadyan USA	USA	Selling of wireless networking products	23,055	23,055	1	100%	156,078	18,592	18,592	"
The Company	Arcadyan Germany	Germany	Selling and technical support of wireless networking products	1,125	1,125	0.5	100%	81,453	3,349	3,349	"
The Company	Arcadyan Korea	Korea	Selling of wireless networking products	2,879	2,879	20	100%	13,350	1,265	1,265	"
The Company and ZHI-BAO	Arcadyan Brasil	Brazil	Selling of wireless networking products	81,593	81,593	968	100%	(18,042)	(122)	(122)	"
The Company	ZHI-BAO	Taipei City	Investment activities	48,000	48,000	34,980	100%	417,128	422	422	"
The Company	TTI	Taipei City	Research and development, and selling digital home appliance	308,726	308,726	25,028	61%	344,883	(37,314)	(22,778)	"
The Company	AeBel Telecom	Taipei City	Investment activities	23,000	23,000	4,494	51%	32,664	50	25	Note 2 · 4 · 6
The Company	Arcadyan UK	England	Technical support of wireless networking products	1,988	1,988	50	100%	4,423	194	194	Note 2 · 4
The Company	Arcadyan AU	Australia	Selling of wireless networking products	1,161	1,161	50	100%	46,560	(1,984)	(1,984)	"
The Company	Arcadyan RU	Russia	Selling of wireless networking products	7,672	7,672	-	100%	5,639	452	452	"
The Company	CBN	Hsinchu County	Manufacturing and selling of broadband network products	11,925	11,925	533	1%	12,184	1,331	10	Note 3
The Company and ZHI-BAO	Arcadyan India	India	Selling of wireless networking products	13,507	13,507	3,500	100%	9,837	(1,608)	(1,608)	Note 2 · 4 · 5
Arcadyan Holding	Sinoprime	British Virgin Islands	Investment activities	829,668 (USD29,050)	829,668 (USD29,050)	29,050	100%	931,827 (USD32,627)	49,661 (USD1,774)	Investment gain(losses) recognized by Arcadyan Holding	Note 2 · 4
"	Arch Holding	British Virgin Islands	Investment activities	314,474 (USD11,011)	314,474 (USD11,011)	35	100%	867,796 (USD30,385)	(207,240) (USD7,403)	"	"
Sinoprime	Arcadyan Vietnam	Vietnam	Manufacturing of wireless networking products	828,240 (USD29,000)	828,240 (USD29,000)	-	100%	927,629 (USD32,480)	49,661 (USD1,774)	Investment gain (losses) recognized by Sinoprime	"
TTI	Quest	Samoa	Investment activities	34,272 (USD1,200)	34,272 (USD1,200)	1,200	100%	(91,614)	(13,979)	Investment gain (losses) recognized by TTI	"
TTI	TTJC	Japan	Selling digital home appliance	9,626	9,626	0.7	100%	3,732	(111)	"	"
Quest	Exquisite	Samoa	Investment activities	33,415 (USD1,170)	33,415 (USD1,170)	1,170	100%	(93,163) (USD3,262)	(13,969) (USD499)	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%	300,241	1,331	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\$27.994/EUR\$31.447 based on the yearly average exchange rate for net income(losses) of the investees, others were translated at the exchange rate of US\$28.56/EUR\$31.79 based on the year-end 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 was incorporated on March 25, 2021.

Note 6: The subsidiary had been decided to be dissolved and liquidated on October 28, 2021.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Information on investment in mainland China:

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

(In thousand dollars of TWD and USD)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 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	231,336 (USD8,100)	Note 1	(Note 4) 383,275 (USD13,420)	-	-	383,275 (USD13,420)	(112) (USD(4))	100%	(112) (USD(4))	29,303 (USD1,026)	-	Note 3
CNC	Manufacturing of wireless networking products	355,572 (USD12,450)	"	(Note 5) 314,474 (USD11,011)	-	-	314,474 (USD11,011)	(207,240) (USD(7,403))	100%	(207,240) (USD(7,403))	867,796 (USD30,385)	-	"
TCH	Manufacturing of household electronics products	95,676 (USD3,350)	Notes 1 and 6	32,844 (USD1,150)	-	-	32,844 (USD1,150)	(13,969) (USD(499))	100%	(13,969) (USD(499))	(93,648) (USD(3,279))	-	"

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 \$US27.994 based on the yearly average exchange rate for net income(losses) of the investees, others were translated at the exchange rate of US\$28.56 based on the year-end 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 Acetion 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).

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of March 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
730,593 (USD25,581)	730,593 (USD25,581)	7,154,042

Note: The amounts in TWD were translated at the exchange rate of \$28.56 on March 31, 2022.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China for the three months ended March 31, 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	18.84 %
Capital Investment In Custody For New Labor Pension Fund (2021 I)		13,002,298	5.93 %

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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.