

**FLYTECH TECHNOLOGY CO., LTD.
AND SUBSIDIARIES**

Consolidated Financial Statements
With Independent Auditors' Review Report
September 30, 2022 and 2021

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This is the translation of the financial statements.
CPAs do not audit or review on this translation.

For the convenience of readers and for information purpose only, the independent auditors' review report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language independent auditors' review report and financial statements shall prevail.

Independent Auditors' Review Report

To the Board of Directors of Flytech Technology Co., Ltd. :

Introduction

We have reviewed the consolidated financial statements of Flytech Technology Co., Ltd.(the "Company") and its subsidiaries(the "Group"), which comprise the consolidated balance sheet of September 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended September 30, 2022 and 2021 as well as the consolidated statements of changes in equity and of cash flows for the nine-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. The 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 Standards ("IASs") 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

we conducted our review in accordance with the Statement of Auditing Standards No. 65, "Review of Financial Information Performed by the Independent Auditor of the Entity" in the Republic of China. A review of 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 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.

Conclusion

Based on our reviews, the consolidated financial statements in all material respects mentioned above have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," and the International Accounting Standards ("IASs") 34, Interim Financial Reporting. The Consolidated Financial Statements reasonably expressed the financial position of the Group at September 30, 2022 and 2021, and the financial performance of the Group for three-month and nine-month periods ended September 30, 2022 and 2021, and the cash flows for nine-month periods ended September 30, 2022 and 2021.

KPMG

Taipei, Taiwan (Republic of China)

November 4, 2022

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

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

(Expressed in Thousands of New Taiwan Dollars)

(Reviewed only, Not Audited in accordance with Generally Accepted Auditing Standards)

| | Assets | September 30, 2022 | | December 31, 2021 | | September 30, 2021 | |
|----------------------------|-------------------------------------------------------------------|---------------------|------------|-------------------|------------|--------------------|------------|
| | | Amount | % | Amount | % | Amount | % |
| Current assets: | | | | | | | |
| 1100 | Cash and cash equivalents (note 6(a)) | \$ 1,972,888 | 32 | 1,954,290 | 31 | 1,813,457 | 30 |
| 1110 | Financial assets at fair value through profit or loss | | | | | | |
| | — current (note 6(b)) | 9,408 | - | 11,522 | - | 9,586 | - |
| 1136 | Financial assets at amortised cost— current (notes 6(c)(d) and 8) | 192,391 | 3 | 73,642 | 1 | 61,123 | 1 |
| 1150-1170 | Notes and accounts receivable (notes 6(d) and (s)) | 1,391,626 | 22 | 1,208,174 | 19 | 1,056,901 | 18 |
| 130X | Inventories (note 6(e) and 8) | 1,178,318 | 19 | 1,425,782 | 23 | 1,535,487 | 25 |
| 1410-1470 | Prepayments and other current assets | <u>32,982</u> | <u>1</u> | <u>55,773</u> | <u>1</u> | <u>67,681</u> | <u>1</u> |
| | Total current assets | <u>4,777,613</u> | <u>77</u> | <u>4,729,183</u> | <u>75</u> | <u>4,544,235</u> | <u>75</u> |
| Non-current assets: | | | | | | | |
| 1535 | Financial assets at amortised cost— non-current (note 6(c)) | 96,961 | 1 | 107,039 | 2 | 80,241 | 1 |
| 1550 | Investments accounted for using equity method (note 6(f)) | 3,203 | - | 17,690 | - | - | - |
| 1600 | Property, plant and equipment (note 6(i) and 8) | 1,031,425 | 17 | 1,067,096 | 17 | 1,066,755 | 17 |
| 1755 | Right-of-use assets (note 6(j)) | 36,256 | 1 | 68,683 | 1 | 41,287 | 1 |
| 1780 | Intangible assets (note 6(k)) | 211,741 | 3 | 268,899 | 4 | 277,492 | 5 |
| 1840 | Deferred income tax assets | 36,132 | 1 | 54,437 | 1 | 52,543 | 1 |
| 1915 | Prepayments for equipment | 13,627 | - | 1,569 | - | 13,631 | - |
| 1920 | Refundable deposits | <u>1,834</u> | <u>-</u> | <u>3,575</u> | <u>-</u> | <u>3,586</u> | <u>-</u> |
| | Total non-current assets | <u>1,431,179</u> | <u>23</u> | <u>1,588,988</u> | <u>25</u> | <u>1,535,535</u> | <u>25</u> |
| | Total assets | <u>\$ 6,208,792</u> | <u>100</u> | <u>6,318,171</u> | <u>100</u> | <u>6,079,770</u> | <u>100</u> |

(Continued)

(See accompanying notes to consolidated financial statements)

English Translation of Consolidated Financial Statements Originally Issued in Chinese)
FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets (Continued)

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

(Expressed in Thousands of New Taiwan Dollars)

(Reviewed only, Not Audited in accordance with Generally Accepted Auditing Standards)

| | September 30, 2022 | | December 31, 2021 | | September 30, 2021 | |
|----------------------------------------------------------|----------------------------------------------------------------------------------|---------------------|--------------------------|------------------|---------------------------|-----------------------------|
| | Amount | % | Amount | % | Amount | % |
| Liabilities and Equity | | | | | | |
| Current liabilities: | | | | | | |
| 2100 | Short-term borrowings (note 6(l) and 8) | \$ - | - | 10,334 | - | 3,679 - |
| 2120 | Financial liabilities at fair value through profit or loss — current (note 6(b)) | 4,803 | - | - | - | 282 - |
| 2130 | Contract liabilities — current (note 6(s)) | 20,156 | - | 48,079 | 1 | 83,223 1 |
| 2150-2170 | Notes and accounts payable | 575,271 | 9 | 765,556 | 12 | 840,267 14 |
| 2200 | Other payables (note 6(t)) | 329,862 | 6 | 316,113 | 5 | 282,224 5 |
| 2230 | Current income tax liabilities | 206,420 | 3 | 208,064 | 3 | 177,809 3 |
| 2250 | Provisions — current (note 6(n)) | 38,945 | 1 | 33,979 | 1 | 31,521 - |
| 2280 | Lease liabilities — current (note 6(m)) | 10,252 | - | 18,317 | - | 13,484 - |
| 2300 | Other current liabilities | <u>38,296</u> | <u>1</u> | <u>40,605</u> | <u>1</u> | <u>35,166</u> <u>1</u> |
| | Total current liabilities | <u>1,224,005</u> | <u>20</u> | <u>1,441,047</u> | <u>23</u> | <u>1,467,655</u> <u>24</u> |
| Non-current liabilities: | | | | | | |
| 2570 | Deferred income tax liabilities | 41,977 | 1 | 49,634 | 1 | 48,892 1 |
| 2640 | Net defined benefit liabilities | 16,754 | - | 35,753 | - | 41,565 1 |
| 2580 | Lease liabilities — non-current (note 6(m)) | <u>26,878</u> | <u>-</u> | <u>50,602</u> | <u>1</u> | <u>27,820</u> <u>-</u> |
| | Total non-current liabilities | <u>85,609</u> | <u>1</u> | <u>135,989</u> | <u>2</u> | <u>118,277</u> <u>2</u> |
| | Total liabilities | <u>1,309,614</u> | <u>21</u> | <u>1,577,036</u> | <u>25</u> | <u>1,585,932</u> <u>26</u> |
| Equity attributable to shareholders of the parent | | | | | | |
| (note 6(f)(g) and (q)): | | | | | | |
| 3110 | Common stock | 1,430,623 | 23 | 1,430,623 | 23 | 1,430,623 23 |
| 3200 | Capital surplus | 524,609 | 9 | 528,355 | 8 | 528,355 9 |
| Retained earnings: | | | | | | |
| 3310 | Legal reserve | 1,196,570 | 19 | 1,128,264 | 18 | 1,128,264 19 |
| 3320 | Special reserve | 73,473 | 1 | 57,939 | 1 | 57,939 1 |
| 3350 | Unappropriated earnings | 1,647,923 | 27 | 1,360,507 | 21 | 1,114,634 18 |
| 3400 | Other equity | <u>(54,102)</u> | <u>(1)</u> | <u>(73,473)</u> | <u>(1)</u> | <u>(73,531)</u> <u>(1)</u> |
| | Equity attributable to shareholders of the Company | <u>4,819,096</u> | <u>78</u> | <u>4,432,215</u> | <u>70</u> | <u>4,186,284</u> <u>69</u> |
| 36XX | Non-controlling interests (note 6(h)) | <u>80,082</u> | <u>1</u> | <u>308,920</u> | <u>5</u> | <u>307,554</u> <u>5</u> |
| | Total equity | <u>4,899,178</u> | <u>79</u> | <u>4,741,135</u> | <u>75</u> | <u>4,493,838</u> <u>74</u> |
| | Total liabilities and equity | <u>\$ 6,208,792</u> | <u>100</u> | <u>6,318,171</u> | <u>100</u> | <u>6,079,770</u> <u>100</u> |

(See accompanying notes to consolidated financial statements)

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

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the nine-month periods ended September 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, except earnings per share amounts)

(Reviewed only, Not Audited in accordance with Generally Accepted Auditing Standards)

| | For the three-month periods ended | | | | For the nine-month periods ended | | | | |
|------|-------------------------------------------------------------------------------------|-------------------|-------------|------------------|----------------------------------|------------------|-------------|------------------|-------------|
| | September 30 | | | | September 30 | | | | |
| | 2022 | | 2021 | | 2022 | | 2021 | | |
| | 金額 | % | 金額 | % | 金額 | % | 金額 | % | |
| 4000 | Revenue (notes 6(s) and 14) | \$ 1,413,061 | 100 | 1,433,639 | 100 | 4,570,707 | 100 | 3,522,497 | 100 |
| 5000 | Cost of revenue (notes 6(e)(i)(j)(m)(n)(o)and(t)) | (876,887) | (62) | (950,371) | (66) | (2,924,073) | (64) | (2,344,673) | (67) |
| | Gross profit | <u>536,174</u> | <u>38</u> | <u>483,268</u> | <u>34</u> | <u>1,646,634</u> | <u>36</u> | <u>1,177,824</u> | <u>33</u> |
| | Operating expenses (notes 6 (d)(h)(i)(j)(k)(n)(o)(t) and 12) : | | | | | | | | |
| 6100 | Selling expenses | (102,760) | (7) | (99,781) | (7) | (295,389) | (6) | (279,578) | (8) |
| 6200 | Administrative expenses | (54,687) | (4) | (63,939) | (4) | (171,108) | (4) | (178,152) | (5) |
| 6300 | Research and development expenses | (74,062) | (5) | (64,744) | (5) | (206,190) | (5) | (176,807) | (5) |
| | Total operating expenses | <u>(231,509)</u> | <u>(16)</u> | <u>(228,464)</u> | <u>(16)</u> | <u>(672,687)</u> | <u>(15)</u> | <u>(634,537)</u> | <u>(18)</u> |
| | Operating income | <u>304,665</u> | <u>22</u> | <u>254,804</u> | <u>18</u> | <u>973,947</u> | <u>21</u> | <u>543,287</u> | <u>15</u> |
| | Non-operating income and loss (notes 6(f)(h)(m) (u)) : | | | | | | | | |
| 7100 | Interest income | 1,768 | - | 1,543 | - | 4,965 | - | 4,947 | - |
| 7190 | Other income | 3,862 | - | 2,862 | - | 6,610 | - | 12,126 | - |
| 7020 | Other gains and losses | 56,703 | 4 | (4,172) | - | 115,099 | 3 | (13,463) | - |
| 7050 | Finance costs | (204) | - | (421) | - | (867) | - | (1,307) | - |
| 7370 | Share of loss of associates accounted for using equity method | (1,618) | - | - | - | (3,572) | - | - | - |
| | Total non-operating income and loss | <u>60,511</u> | <u>4</u> | <u>(188)</u> | <u>-</u> | <u>122,235</u> | <u>3</u> | <u>2,303</u> | <u>-</u> |
| 7900 | Income before income tax | <u>365,176</u> | <u>26</u> | <u>254,616</u> | <u>18</u> | <u>1,096,182</u> | <u>24</u> | <u>545,590</u> | <u>15</u> |
| 7950 | Less: Income tax expenses (note 6(p)) | <u>(54,140)</u> | <u>(4)</u> | <u>(49,369)</u> | <u>(4)</u> | <u>(163,856)</u> | <u>(4)</u> | <u>(100,729)</u> | <u>(2)</u> |
| 8200 | Net Income | <u>311,036</u> | <u>22</u> | <u>205,247</u> | <u>14</u> | <u>932,326</u> | <u>20</u> | <u>444,861</u> | <u>13</u> |
| | Other comprehensive income (loss) (note 6(q)): | | | | | | | | |
| 8360 | Items that will be reclassified subsequently to profit or loss | | | | | | | | |
| 8361 | Exchange differences on translation of foreign operations | 11,657 | 1 | (7,768) | - | 20,303 | 1 | (16,240) | (1) |
| 8399 | Income tax related to items that may be reclassified subsequently to profit or loss | - | - | - | - | - | - | - | - |
| | | <u>11,657</u> | <u>1</u> | <u>(7,768)</u> | <u>-</u> | <u>20,303</u> | <u>1</u> | <u>(16,240)</u> | <u>(1)</u> |
| 8500 | Total comprehensive income for the period | <u>\$ 322,693</u> | <u>23</u> | <u>197,479</u> | <u>14</u> | <u>952,629</u> | <u>21</u> | <u>428,621</u> | <u>12</u> |
| | Net income attributable to: | | | | | | | | |
| 8610 | Shareholders of the Company | \$ 318,230 | 23 | 200,147 | 14 | 949,768 | 20 | 437,191 | 13 |
| 8620 | Non-controlling interests | (7,194) | (1) | 5,100 | - | (17,442) | - | 7,670 | - |
| | | <u>\$ 311,036</u> | <u>22</u> | <u>205,247</u> | <u>14</u> | <u>932,326</u> | <u>20</u> | <u>444,861</u> | <u>13</u> |
| | Total comprehensive income attributable to: | | | | | | | | |
| 8710 | Shareholders of the Company | \$ 329,352 | 23 | 192,639 | 14 | 968,622 | 21 | 421,599 | 12 |
| 8720 | Non-controlling interests | (6,659) | - | 4,840 | - | (15,993) | - | 7,022 | - |
| | | <u>\$ 322,693</u> | <u>23</u> | <u>197,479</u> | <u>14</u> | <u>952,629</u> | <u>21</u> | <u>428,621</u> | <u>12</u> |
| | Earnings per share (in New Taiwan dollars) (note 6(r)) : | | | | | | | | |
| 9750 | Basic earnings per share | <u>\$ 2.22</u> | | <u>1.40</u> | | <u>6.64</u> | | <u>3.06</u> | |
| 9850 | Diluted earnings per share | <u>\$ 2.20</u> | | <u>1.39</u> | | <u>6.56</u> | | <u>3.04</u> | |

(See accompanying notes to consolidated financial statements)

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

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the nine-month periods ended September 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, except earnings per share amounts)

(Reviewed only, Not Audited in accordance with Generally Accepted Auditing Standards)

| | Equity attributable to shareholders of the Company | | | | | | Total other equity interest | | | | | |
|----------------------------------------------------------------------------|----------------------------------------------------|-----------------|-------------------|-----------------|-------------------------|------------------|------------------------------------------|-----------------------------------------|-----------------|------------------|---------------------------|------------------|
| | Common stock | Capital surplus | Retained earnings | | | Total | Foreign currency translation differences | Remeasurements of defined benefit plans | Total | Total | Non-controlling interests | Total equity |
| | | | Legal reserve | Special reserve | Unappropriated earnings | | | | | | | |
| Balance at January 1, 2021 | \$ 1,430,623 | 597,122 | 1,069,391 | 49,402 | 1,245,571 | 2,364,364 | (50,942) | (6,997) | (57,939) | 4,334,170 | 274,865 | 4,609,035 |
| Appropriation of earnings: | | | | | | | | | | | | |
| Legal reserve | - | - | 58,873 | - | (58,873) | - | - | - | - | - | - | - |
| Special reserve | - | - | - | 8,537 | (8,537) | - | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | (500,718) | (500,718) | - | - | - | (500,718) | - | (500,718) |
| Cash dividends from capital surplus | - | (71,531) | - | - | - | - | - | - | - | (71,531) | - | (71,531) |
| Changes in ownership interest in subsidiaries | - | 2,764 | - | - | - | - | - | - | - | 2,764 | (2,764) | - |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | - | - | 44,400 | 44,400 |
| Distribution of cash dividend by subsidiaries to non-controlling interests | - | - | - | - | - | - | - | - | - | - | (15,969) | (15,969) |
| Net income | - | - | - | - | 437,191 | 437,191 | - | - | - | 437,191 | 7,670 | 444,861 |
| Other comprehensive income (loss) in 2021 | - | - | - | - | - | - | (15,592) | - | (15,592) | (15,592) | (648) | (16,240) |
| Total comprehensive income (loss) in 2021 | - | - | - | - | 437,191 | 437,191 | (15,592) | - | (15,592) | 421,599 | 7,022 | 428,621 |
| Balance at September 30, 2021 | \$ 1,430,623 | 528,355 | 1,128,264 | 57,939 | 1,114,634 | 2,300,837 | (66,534) | (6,997) | (73,531) | 4,186,284 | 307,554 | 4,493,838 |
| Balance at January 1, 2022 | \$ 1,430,623 | 528,355 | 1,128,264 | 57,939 | 1,360,507 | 2,546,710 | (68,916) | (4,557) | (73,473) | 4,432,215 | 308,920 | 4,741,135 |
| appropriation of earnings: | | | | | | | | | | | | |
| Legal reserve | - | - | 68,306 | - | (68,306) | - | - | - | - | - | - | - |
| Special reserve | - | - | - | 15,534 | (15,534) | - | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | (572,249) | (572,249) | - | - | - | (572,249) | - | (572,249) |
| Changes in ownership interest in subsidiaries | - | (3,746) | - | - | (6,263) | (6,263) | - | - | - | (10,009) | 10,009 | - |
| Disposition of subsidiaries interests | - | - | - | - | - | - | 517 | - | 517 | 517 | (285,854) | (285,337) |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | - | - | 63,000 | 63,000 |
| Net income | - | - | - | - | 949,768 | 949,768 | - | - | - | 949,768 | (17,442) | 932,326 |
| Other comprehensive income (loss) in 2021 | - | - | - | - | - | - | 18,854 | - | 18,854 | 18,854 | 1,449 | 20,303 |
| Total comprehensive income (loss) in 2021 | - | - | - | - | 949,768 | 949,768 | 18,854 | - | 18,854 | 968,622 | (15,993) | 952,629 |
| Balance at September 30, 2022 | \$ 1,430,623 | 524,609 | 1,196,570 | 73,473 | 1,647,923 | 2,917,966 | (49,545) | (4,557) | (54,102) | 4,819,096 | 80,082 | 4,899,178 |

(See accompanying notes to consolidated financial statements)

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine-month periods ended September 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

(Reviewed only, Not Audited in accordance with Generally Accepted Auditing Standards)

| | For the nine-month periods ended September 30 | |
|---------------------------------------------------------------|--------------------------------------------------|--------------------|
| | <u>2022</u> | <u>2021</u> |
| Cash flows from operating activities: | | |
| Income before income tax | \$ 1,096,182 | 545,590 |
| Adjustments for: | | |
| Adjustments to reconcile profit (loss) | | |
| Depreciation | 66,160 | 87,718 |
| Amortization | 32,210 | 32,888 |
| Expected (reveral) credit loss | 1,210 | (7,509) |
| Share of loss of associates accounted for using equity method | 3,572 | - |
| Loss (proceeds) on disposal of property, plant and equipment | (217) | 1,288 |
| Property, plant, and equipment transferred to expenses | 438 | - |
| Interest expense | 867 | 1,307 |
| Interest income | (4,965) | (4,947) |
| Disposition of subsidiaries interests | (22,042) | - |
| Impairment loss on non-financial assets | 10,915 | - |
| Total non-cash profit and loss | <u>88,148</u> | <u>110,745</u> |
| Changes in operating assets and liabilities : | | |
| Changes in operating assets: | | |
| Financial assets at fair value through profit or loss | 2,114 | 2,627 |
| Notes and accounts receivable | (298,856) | (468,063) |
| Inventories | (97,421) | (880,934) |
| Prepayments and other current assets | (17,134) | (39,633) |
| Net changes in operating assets | <u>(411,297)</u> | <u>(1,386,003)</u> |
| Changes in operating liabilities: | | |
| Financial liabilities at fair value through profit or loss | 4,803 | (600) |
| Contract liabilities | (27,923) | 22,277 |
| Notes and accounts payable | (48,581) | 575,487 |
| Other payables | 44,848 | 37,776 |
| Provisions — current | 8,529 | (547) |
| Other current liabilities | 2,853 | 14,642 |
| Net defined benefit liabilities | (1,118) | (1,897) |
| Net changes in operating liabilities | <u>(16,589)</u> | <u>647,138</u> |
| Total changes in operating assets and liabilities | <u>(427,886)</u> | <u>(738,865)</u> |
| Cash provided (used in) by operations | 756,444 | (82,530) |
| Income taxes paid | (160,469) | (121,032) |
| Net cash provided (used in) by operating activities | <u>595,975</u> | <u>(203,562)</u> |

(Continued)

(See accompanying notes to consolidated financial statements)

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

For the nine-month periods ended September 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

(Reviewed only, Not Audited in accordance with Generally Accepted Auditing Standards)

| | For the nine-month periods ended September 30 | |
|----------------------------------------------------------------------------------|--------------------------------------------------|-------------------------|
| | <u>2022</u> | <u>2021</u> |
| Cash flows from investing activities: | | |
| Acquisition of financial assets at amortised cost | (128,696) | (32,015) |
| Proceeds from disposal of financial assets at amortised cost | 22,391 | 143,261 |
| Disposition of subsidiaries | 92,613 | - |
| Additions to property, plant and equipment (including prepayments for equipment) | (51,297) | (43,631) |
| Proceeds from disposal of property, plant and equipment | 416 | 2,124 |
| Additions of intangible assets | (2,562) | (9,525) |
| Decrease (Increase) in refundable deposits | (358) | 93 |
| Interest received | 2,778 | 3,001 |
| Net cash flows provided (used in) by investing activities | <u>(64,715)</u> | <u>63,308</u> |
| Cash flows from financing activities: | | |
| Increase in short-term borrowings | - | 15,000 |
| Decrease in short-term borrowings | (10,067) | (18,531) |
| Payment of lease liabilities | (9,225) | (23,421) |
| Cash dividends distributed to shareholders | (572,249) | (572,249) |
| Cash dividends paid to non-controlling interests | - | (15,969) |
| Capital injection from non-controlling interests | 63,000 | 44,400 |
| Interest paid | (867) | (1,307) |
| Net cash flows used in financing activities | <u>(529,408)</u> | <u>(572,077)</u> |
| Effect of foreign exchange rate changes | 16,746 | (14,291) |
| Net increase (decrease) in cash and cash equivalents | 18,598 | (726,622) |
| Cash and cash equivalents at beginning of period | 1,954,290 | 2,540,079 |
| Cash and cash equivalents at end of period | <u>\$ 1,972,888</u> | <u>1,813,457</u> |

(See accompanying notes to consolidated financial statements)

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

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the nine-month periods ended September 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

(Reviewed only, Not Audited in accordance with Generally Accepted Auditing Standards)

1. Organization and business

Flytech Technology Co., Ltd. (the “Company”) was incorporated on August 13, 1984, as a company limited by shares under the Company Act of the Republic of China (“R.O.C.”) and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is No. 168, Xing-Ai Road, Neihu, Taipei, Taiwan. The Company and its subsidiaries (collectively the “Group”) are engaged in the design, manufacture and sale of computers and peripherals.

2. Authorization of the consolidated financial statements

These consolidated financial statements were authorized for issue by the Board of Directors on November 4, 2022.

3. Application of new and revised accounting standards and interpretations:

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

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

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

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

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

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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IFRS 16 “Lease liability in a sale and leaseback”

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

4. Summary of significant accounting policies

Subject to the following, the material accounting policies used in this consolidated financial report are the same as those in the 2021 consolidated financial statements, which refer to Note 4 for the 2021 consolidated reports.

(a) Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the "Preparation regulations") and No. 34 "Interim Financial Report" of the IFRSs endorsed and issued into effect by the FSC. The Consolidated Financial Statements does not include all necessary information required to be disclosed in accordance with the IFRs, International Accounting Standards, Interpretations and bulletins of interpretations recognized by the FSC and issued in force (hereinafter referred to as "the FSA-endorsed IFRs").

(b) Basis of consolidation

(i) List of subsidiaries included in the consolidated financial statements

| Name of Investor | Name of Investee | Principal activities | Percentage of Ownership | | | Note |
|----------------------|-------------------------------------------------------|--------------------------------------------------------------------------------------------------------|-------------------------|-------------------|--------------------|----------|
| | | | September 30, 2022 | December 31, 2021 | September 30, 2021 | |
| The Company | Flytech USA International Co., Ltd. (Flytech USA BVI) | Investment holding | 100.00% | 100.00% | 100.00% | - |
| The Company | Flytech HK International Co., Ltd. (Flytech HK BVI) | Investment holding | 100.00% | 100.00% | 100.00% | - |
| The Company | Flytech CN International Co., Ltd. (Flytech CN BVI) | Investment holding | 100.00% | 100.00% | 100.00% | - |
| The Company | Fei Shiun Investment Co. Ltd. (Fei Shiun Investment) | Investment holding | 100.00% | 100.00% | 100.00% | - |
| The Company | Box Technologies (Holdings) Ltd. (Box Holdings) | Investment holding | 100.00% | 100.00% | 100.00% | - |
| The Company | inefi Holding Co., Ltd. (inefi Holding) | Investment holding | 100.00% | - | - | (Note 2) |
| inefi Holdings | Inefi Incorporation | Consulting software services, to provide a unified endpoint management platform | 100.00% | - | - | (Note 2) |
| Flytech USA BVI | Flytech Technology (U.S.A.) Inc. (Flytech USA) | Sale of computers and peripheral equipment | 100.00% | 100.00% | 100.00% | - |
| Flytech HK BVI | Flytech Technology Hong Kong Ltd. (Flytech HK) | Sale of computers and peripheral equipment | 100.00% | 100.00% | 100.00% | - |
| Flytech CN BVI | Flytech Electronic (Shanghai) Co., Ltd. (Flytech CN) | Sale of computers and peripheral equipment | 100.00% | 100.00% | 100.00% | - |
| Fei Shiun Investment | Berry AI Inc. (Berry AI) | Operating software design and data processing services, and integrating software and hardware services | 70.00% | 65.63% | 65.63% | - |
| Fei Shiun Investment | iRuggy System Co., Ltd. (iRuggy System) | Sale of computers and peripheral equipment | 100.00% | 100.00% | 100.00% | - |

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

| Name of Investor | Name of Investee | Principal activities | Percentage of Ownership | | | Note |
|----------------------|-------------------------------------------------------------------|----------------------------------------------------------------------------------------------|-------------------------|-------------------|--------------------|----------|
| | | | September 30, 2022 | December 31, 2021 | September 30, 2021 | |
| Fei Shiun Investment | Poindus Systems Corporation (Poindus Systems) | Sale of computers and peripheral equipment | - | 49.31% | 49.31% | (Note 1) |
| Poindus Systems | Poindus Investment Co., Ltd. (Poindus Investment) | Investment holding | - | 49.31% | 49.31% | (Note 1) |
| Poindus Systems | Poindus Systems UK Limited (Poindus UK) | Sale of computers and peripheral equipment | - | 49.31% | 49.31% | (Note 1) |
| Poindus Systems | Adasys GmbH Elektronische Komponenten (Adasys) | Sale of computers and peripheral equipment | - | 49.31% | 49.31% | (Note 1) |
| Poindus Systems | Qijie Electronics (Shenzhen) Co., Ltd. (Qijie) | Sale of computers and peripheral equipment | - | 49.31% | 49.31% | (Note 1) |
| Poindus Systems | Poindus Systems GmbH GroBhandel mit EDV. Oberursel (Poindus GmbH) | Sale of computers and peripheral equipment | - | 49.31% | 49.31% | (Note 1) |
| Berry AI | Berry AI International Co., Ltd (Berry AI BVI) | Investment holding | 100.00% | 100.00% | - | (Note 3) |
| Berry AI BVI | Berry AI USA INC | Software design and data processing services, and integrating software and hardware services | 100.00% | 100.00% | - | (Note 3) |
| Box Holdings | Box Technologies Limited (Box UK) | Sale of computers and peripherals | 100.00% | 100.00% | 100.00% | - |
| Box Holdings | BTechnologies AB (Box Nordic) | Sale of computers and peripherals | 100.00% | 100.00% | 100.00% | - |

Note 1: As described in Note 6(h), the Consolidated Company disposed of all shares of Poindus Systems Corporation (Poindus Systems) on February 10, 2022 and excluded them from the consolidated financial statements.

Note 2 : Was newly established in 2022.

Note 3 : Was newly established in 2021.

(ii) List of subsidiaries which are not included in the consolidated financial statements: None.

(c) Employee benefits

The defined benefit plan pension for the mid-term period is calculated on the basis of actuarial calculations on the reporting date of the previous year, calculated on the basis of the beginning of the year to the end of the current period, and adjusted for major market fluctuations in the future of the reporting date, as well as major reductions, liquidations or other major one-time events.

(d) Income Tax

The Consolidated Company measures and discloses income tax expense for the interim period in accordance with Paragraph B12 of No. 34 "Interim Financial Statements" in the IFRSs Gazette. Income tax expenses are measured by multiplying net profit before tax for the period reported in the interim by management's best estimate of the projected effective tax rate for the total surplus for the full year and is fully recognized as income tax expenses for the current period.

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Income tax expense, which is directly attributable to equity items or other comprehensive profit or loss items, is a temporary difference between the carrying amount of the relevant assets and liabilities for financial reporting purposes and their tax basis, measured by the applicable tax rate at the time of expected realization or liquidation.

5. Critical accounting judgments and key sources of estimation uncertainty

In preparing the consolidated financial statement in accordance with the preparation standards and No.34 "Interim Financial Report" of FAC as recognized by the FSC, managements must make judgments, estimates and assumptions that will affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the consolidated financial statements, the significant judgments made by management in adopting the accounting policies of the consolidated companies and the major sources of estimated uncertainty are consistent with Note 5 in the consolidated financial statements for 2021.

6. Significant account disclosures

Subject to the following, the statements of important accounting items in this consolidated financial report are not materially different from those of the consolidated financial report for 2021, which refer to Note 6 for the 2021 consolidated reports.

(a) Cash and cash equivalents

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|-----------------------------------------------------------|-----------------------|----------------------|-----------------------|
| Cash on hand | \$ 814 | 1,346 | 1,255 |
| Demand deposits and checking accounts | 1,730,810 | 1,877,009 | 1,733,742 |
| Time deposits with original maturities less than 3 months | 241,264 | 75,935 | 78,460 |
| | \$ 1,972,888 | 1,954,290 | 1,813,457 |

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

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|------------------------------------------------------------|-----------------------|----------------------|-----------------------|
| Mandatorily measured at fair value through profit or loss: | | | |
| Derivative instruments not used for hedging: | | | |
| Foreign currency forward contracts | \$ - | 1,941 | 6 |
| Non-derivative financial assets | | | |
| Convertible bonds | 9,408 | 9,581 | 9,580 |
| | \$ 9,408 | 11,522 | 9,586 |

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|----------------------------------------------|-----------------------|----------------------|-----------------------|
| Held-for trading financial liabilities: | | | |
| Derivative instruments not used for hedging: | | | |
| Foreign currency forward contracts | <u>\$ (4,803)</u> | <u>-</u> | <u>(282)</u> |

Refer to Note 6(v) for the detail of the changes in fair value recognized in profit or loss.

The Group entered into derivative contracts to manage its foreign currency exchange risk resulting from its operating activities classified. The derivative financial instruments that did not conform to the criteria for hedge accounting were classified as financial assets and liabilities at fair value through profit or loss. The information of outstanding derivative financial instruments at the reporting date was as follows:

| | | September 30, 2022 | | |
|-----------------------------------|-----|-----------------------------------|------------|-----------------|
| | | Contract amount (in thousands) | Sell / Buy | Maturity period |
| Foreign currency forward contract | USD | 3,000 | USD/NTD | 2022.10 |
| | | December 31, 2021 | | |
| | | Contract amount (in thousands) | Sell / Buy | Maturity period |
| Foreign currency forward contract | USD | 8,000 | USD/NTD | 2022.1~2 |
| | | September 30, 2021 | | |
| | | Contract amount (in thousands) | Sell / Buy | Maturity period |
| Foreign currency forward contract | USD | 3,000 | USD/NTD | 2021.10~11 |
| | USD | 5,000 | USD/NTD | 2021.11~12 |

(c) Financial assets measured at amortised cost

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|-----------------------------------------------------------|-----------------------|----------------------|-----------------------|
| Time deposits with original maturities more than 3 months | \$ 282,289 | 173,666 | 131,261 |
| Other receivable | 246 | 2,564 | 6,352 |
| Interest receivable | 6,817 | 4,451 | 3,751 |
| | <u>\$ 289,352</u> | <u>180,681</u> | <u>141,364</u> |
| Ledger Account | | | |
| Financial assets at amortized cost - current | \$ 192,391 | 73,642 | 61,123 |
| Financial assets at amortized cost - non-current | 96,961 | 107,039 | 80,241 |
| | <u>\$ 289,352</u> | <u>180,681</u> | <u>141,364</u> |

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group intended to hold to maturity in order to receive the contractual cash flows and the contractual cash flows were solely payments of principal and interest on the principal outstanding.

Please refer to note 8 for a description of the above assets collateralized for operation.

(d) Notes and accounts receivable, and other receivables

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|-------------------------------------------------|-----------------------|----------------------|-----------------------|
| Notes receivable— from operating activities | \$ 1,470 | 3,630 | 2,822 |
| Accounts receivable— measured as amortized cost | 1,392,762 | 1,206,183 | 1,057,740 |
| Less: loss allowance | 2,606 | 1,639 | 3,661 |
| | \$ 1,391,626 | 1,208,174 | 1,056,901 |

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. Forward looking information is taken into consideration as well.

The loss allowance provision was determined as follows:

| September 30, 2022 | | | |
|------------------------|-----------------------|----------------------------|--------------------------|
| | Gross carrying amount | Weighted-average loss rate | Loss allowance provision |
| Current | \$ 1,032,780 | 0%~0.69% | 583 |
| Past due 0-30 days | 266,761 | 0%~6.51% | 1,402 |
| Past due 31-60 days | 83,572 | 0%~13.37% | 33 |
| Past due 61-180 days | 9,523 | 0%~64.57% | 203 |
| Past due over 180 days | 1,596 | 24.12%~100.00% | 385 |
| | \$ 1,394,232 | | 2,606 |
| December 31, 2021 | | | |
| | Gross carrying amount | Weighted-average loss rate | Loss allowance provision |
| Current | \$ 938,768 | 0%~0.58% | 836 |
| Past due 0-30 days | 263,431 | 0%~3.1% | 471 |
| Past due 31-60 days | 4,635 | 0%~23.98% | 112 |
| Past due 61-180 days | 2,044 | 0%~61.45% | 75 |
| Past due over 180 days | 935 | 68.42%~100.00% | 145 |
| | \$ 1,209,813 | | 1,639 |

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

| | September 30, 2021 | | |
|------------------------|-----------------------|----------------------------|--------------------------|
| | Gross carrying amount | Weighted-average loss rate | Loss allowance provision |
| Current | \$ 862,936 | 0%~0.6% | 662 |
| Past due 0-30 days | 168,597 | 0%~3.19% | 1,033 |
| Past due 31-60 days | 26,587 | 0%~7.92% | 1,538 |
| Past due 61-180 days | 2,206 | 0%~60.31% | 227 |
| Past due over 180 days | 236 | 67.73%~100.00% | 201 |
| | \$ 1,060,562 | | 3,661 |

(i) Movements of the loss allowance for notes and accounts receivable were as follows:

| | For the nine-month periods ended | |
|-----------------------------------------|----------------------------------|--------------|
| | September 30 | |
| | 2022 | 2021 |
| Balance at January 1 | \$ 1,639 | 11,299 |
| Impairment losses (reversed) recognized | 1,216 | (7,509) |
| Write-off | (75) | - |
| Amount of excluded subsidiaries | (59) | - |
| Effect of exchange rate changes | (115) | (129) |
| Balance at September 30 | \$ 2,606 | 3,661 |

(ii) Accounts receivable for sale

The subsidiary of the Company, Adasys, entered into factoring contracts with a bank to sell parts of its accounts receivable without recourse. According to these contracts, the Group is not responsible for any risk of uncollectable accounts receivable, but only the risk of loss due to commercial disputes. The Group derecognized the above accounts receivable because it has transferred substantially all of the risks and rewards of their ownership, and it does not have any continuing involvement in them. The receivable from the financial institutions were recognized as other receivables upon the derecognition of those accounts receivables. At each reporting date, details of these contracts were as follows:

| | December 31, 2021 | | | | | |
|-------------------------|---------------------|--------------------------|------------------------|----------------------------------------|------------------------|--------------------------------|
| | Amount Derecognized | Amount advanced (Unpaid) | Amount advanced (Paid) | Amount Recognized in Other Receivables | Range of Interest Rate | Significant Transferring Terms |
| Deutsche Factoring Bank | \$ 2,673 | - | 2,410 | 263 | 2.75% | None |

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

| | September 30, 2021 | | | | | |
|-------------------------|---------------------|--------------------------|------------------------|----------------------------------------|------------------------|--------------------------------|
| Underwriting bank | Amount Derecognized | Amount advanced (Unpaid) | Amount advanced (Paid) | Amount Recognized in Other Receivables | Range of Interest Rate | Significant Transferring Terms |
| Deutsche Factoring Bank | <u>\$ 6,845</u> | <u>-</u> | <u>6,192</u> | <u>653</u> | 2.75% | None |

(e) Inventories

(i) The information of inventories was as follows:

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|-----------------|----------------------------|-------------------------|-------------------------|
| Raw materials | \$ 712,890 | 756,122 | 944,142 |
| Work in process | 290,496 | 242,553 | 230,303 |
| Finished goods | 62,377 | 186,761 | 140,472 |
| Merchandise | 112,555 | 240,346 | 220,570 |
| | <u>\$ 1,178,318</u> | <u>1,425,782</u> | <u>1,535,487</u> |

(ii) For the three-month periods ended September 30, 2022 and September 30, 2021, the nine-month periods ended September 30, 2022 and September 30, 2021, the cost of inventory included in the operating costs were \$877,185, \$948,707, \$2,894,624 and \$2,340,111. The write downs (reversal of write downs) of inventories to net realizable value amounted to \$13,856, \$(4,717), \$21,121 and \$1,518.

(iii) Please refer to Note 8 for a description of the Group's inventory collateralized for short-term borrowings.

(f) Investments accounted for using the equity method

A summary of the Group's investments in associates at the reporting date is as follows:

| | | | September 30, 2022 | | December 31, 2021 | |
|----------------------------------------------|---------------------------------|--------------------------------------------------|-----------------------------|------------------------------------------------------|-----------------------------------------------------|------------------|
| Name of Associates | Business Relationship | Principal place of business/Registration country | Percentage of voting rights | Carrying amount | Percentage of voting rights | Carrying amount |
| TAC Dynamics | Sale of machinery and equipment | Taiwan | 35.00% | \$ <u>3,202</u> | 35.00% | \$ <u>17,690</u> |
| | | | | For the three-month periods ended September 30, 2022 | For the nine-month periods ended September 30, 2022 | |
| Attributable to the Group: | | | | <u>\$ (1,618)</u> | <u>(3,572)</u> | |
| Net loss (total comprehensive income (loss)) | | | | <u>\$ (1,618)</u> | <u>(3,572)</u> | |

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

| | For the nine-month periods ended September 30, 2022 |
|----------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|
| The Consolidated Company's shares of the net assets of the affiliated company at the beginning of period | \$ 17,690 |
| Net loss attributable to the consolidated company for the current period | <u>(3,572)</u> |
| The Consolidated Company's shares of the net assets of the affiliated company at the end of period | 14,118 |
| Subtract : Accumulated impairment | <u>(10,915)</u> |
| The book amount of the consolidated company's interest in the affiliated company at the end of period | <u><u>\$ 3,203</u></u> |

On March 31, 2022, the consolidated Company assessed that the equity investment had been derogated from the carrying amount of the equity investment, and the impairment loss was \$10,915, which was included in the name of other benefits and loss items. When impairments are assessed, the recoverable amount is determined based on the use value. The future advanced traffic estimates used are the five-year financial budgets estimated by management based on future operational planning. And the discount rate at which the use value is determined is based on the weighted average capital, which extrapolates the estimated equity value of Tyco Dynamics.

The aforementioned investments of the consolidated company accounted for using the equity method and the share of profit and loss and other comprehensive profit and loss enjoyed by the company are calculated on the basis of financial statements that have not been approved by CPAs during the same period.

(g) Information on subsidiaries with material non-controlling interests

Except as described below, the non-controlling interests of the subsidiaries of the Consolidated Company were not subject to significant changes for the nine-month ended September 30, 2022 and 2021. Refer to Note 6(g) to the Consolidated Financial Statement in 2021 for details.

In March 2022, the Group's subsidiary, Berry AI issuance of common stock for cash amounting to \$252,000 and an increased investment of \$63,000 in non-controlled equity, and the consolidated Company increased its shareholding in Berry AI Inc. (Berry AI) from 65.63% to 70% due to its non-subscription based on the shareholding ratio, and the change in the ownership interest of the subsidiary was \$(10,009), a decrease of \$(3,746) in confirmed capital reserves and a decrease of \$(6,263) in the retained surplus.

In April 2021, the Group's subsidiary, Berry AI issuance of common stock for cash amounting to \$120,000 and an increased investment of \$44,000 in non-controlled equity, the consolidated Company decreased its ownership from 70% to 65.63% due to its non-subscription disproportionately to its existing ownership percentage, The Group increased the capital surplus amounted to \$2,764 as a result of the change in equity.

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(h) Loss of control over subsidiaries

On February 10, 2022, the consolidated company disposed of all the shares of Poindus Systems Corporation (Poindus Systems) at a disposal price of \$310,620, and its disposal benefit of \$22,042 was recorded under the item of other benefits and loss, the relevant details are as follows:

(i) Consideration received

| | | |
|------------------------------------------------|-----------|-----------------------|
| Total consideration received | \$ | 310,620 |
| Expenses related to the consideration received | | <u>(932)</u> |
| Consideration received | \$ | <u>309,688</u> |

(ii) Net consideration received of Poindus Systems

| | | |
|-----------------------------------------------------------------------------------|-----------|-----------------------|
| Cash and cash equivalents | \$ | 217,075 |
| Notes and Accounts Receivable | | 114,308 |
| Inventories | | 342,673 |
| Other current assets | | 39,950 |
| Property, Plant, and Equipment | | 21,317 |
| Right-of-use assets | | 37,258 |
| Intangible assets | | 7,229 |
| Goodwill - Other intangible assets | | 21,046 |
| Deferred income tax assets - non-current | | 18,495 |
| Other non-current assets | | 2,374 |
| Short-term loans | | (268) |
| Notes and Accounts Receivable (Payable) | | (141,704) |
| Other payables | | (31,099) |
| Current income tax liabilities | | (10,642) |
| Liability provisions | | (2,786) |
| Lease liabilities - current | | (10,701) |
| Other current liabilities | | (5,162) |
| Deferred income tax liabilities | | (1,658) |
| Net defined benefit liabilities | | (17,881) |
| Lease liabilities - non-current | | (26,841) |
| Exchange differences on translation of financial statements of foreign operations | | 517 |
| Non-controlling Interests | | <u>(285,854)</u> |
| | \$ | <u>287,646</u> |

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(i) Property, plant and equipment

| | <u>Land</u> | <u>Buildings</u> | <u>Machinery</u> | <u>Mold equipment</u> | <u>Furniture and fixtures</u> | <u>Other equipment</u> | <u>Total</u> |
|---------------------------------|-------------------|------------------|------------------|---------------------------|---------------------------------------|----------------------------|------------------|
| Cost: | | | | | | | |
| Balance at January 1, 2022 | \$ 319,238 | 779,838 | 302,200 | 514,731 | 82,308 | 44,301 | 2,042,616 |
| Additions | - | - | 1,524 | 24,468 | 5,938 | 6,009 | 37,939 |
| excluded subsidiaries | - | - | (356) | (64,779) | (15,192) | (14,385) | (94,712) |
| Reclassification | - | - | - | (144) | (113) | 2,046 | 1,789 |
| Disposals | - | - | (1,046) | (643) | (1,219) | (200) | (3,108) |
| Effect of exchange rate changes | - | 3,653 | (359) | 168 | 605 | (29) | 4,038 |
| Balance at September 30, 2022 | <u>\$ 319,238</u> | <u>783,491</u> | <u>301,963</u> | <u>473,801</u> | <u>72,327</u> | <u>37,742</u> | <u>1,988,562</u> |
| Balance at January 1, 2021 | \$ 319,238 | 774,930 | 299,284 | 524,088 | 97,518 | 49,349 | 2,064,407 |
| Additions | - | - | 4,927 | 8,951 | 4,155 | 12,807 | 30,840 |
| Reclassification | - | - | - | 162 | - | (828) | (666) |
| Disposals | - | (8,476) | (1,325) | - | (17,777) | (14,988) | (42,566) |
| Effect of exchange rate changes | - | (934) | (335) | (90) | (1,402) | (1,430) | (4,191) |
| Balance at September 30, 2021 | <u>\$ 319,238</u> | <u>765,520</u> | <u>302,551</u> | <u>533,111</u> | <u>82,494</u> | <u>44,910</u> | <u>2,047,824</u> |
| Accumulated depreciation | | | | | | | |
| Balance at January 1, 2022 | \$ - | 191,466 | 242,402 | 450,271 | 66,968 | 24,413 | 975,520 |
| Depreciation | - | 14,495 | 10,691 | 22,785 | 4,460 | 3,565 | 55,996 |
| excluded subsidiaries | - | - | (356) | (52,014) | (12,483) | (8,542) | (73,395) |
| Reclassification | - | - | - | - | - | (210) | (210) |
| Disposals | - | - | (1,046) | (520) | (1,143) | (200) | (2,909) |
| Effect of exchange rate changes | - | 1,441 | (159) | 58 | 474 | 321 | 2,135 |
| Balance at September 30, 2022 | <u>\$ -</u> | <u>207,402</u> | <u>251,532</u> | <u>420,580</u> | <u>58,276</u> | <u>19,347</u> | <u>957,137</u> |
| Balance at January 1, 2021 | \$ - | 181,516 | 223,598 | 437,175 | 79,346 | 33,018 | 954,653 |
| Depreciation | - | 13,878 | 15,518 | 30,203 | 5,018 | 3,886 | 68,503 |
| Reclassification | - | - | - | - | - | (396) | (396) |
| Disposals | - | (8,476) | (1,213) | - | (17,385) | (12,080) | (39,154) |
| Effect of exchange rate changes | - | (436) | (164) | (20) | (1,130) | (787) | (2,537) |
| Balance at September 30, 2021 | <u>\$ -</u> | <u>186,482</u> | <u>237,739</u> | <u>467,358</u> | <u>65,849</u> | <u>23,641</u> | <u>981,069</u> |
| Carrying amount: | | | | | | | |
| Balance at January 1, 2022 | <u>\$ 319,238</u> | <u>588,372</u> | <u>59,798</u> | <u>64,460</u> | <u>15,340</u> | <u>19,888</u> | <u>1,067,096</u> |
| Balance at September 30, 2022 | <u>\$ 319,238</u> | <u>576,089</u> | <u>50,431</u> | <u>53,221</u> | <u>14,051</u> | <u>18,395</u> | <u>1,031,425</u> |
| Balance at September 30, 2021 | <u>\$ 319,238</u> | <u>579,038</u> | <u>64,812</u> | <u>65,753</u> | <u>16,645</u> | <u>21,269</u> | <u>1,066,755</u> |

Please refer to Note 8 for a description of the Group's equipment collateralized for short-term borrowings.

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(j) Right-of-use assets

| | <u>Buildings</u> | <u>Other equipment</u> | <u>Total</u> |
|----------------------------------|-------------------------|----------------------------|----------------------|
| Cost: | | | |
| Balance at January 1, 2022 | \$ 81,009 | 7,095 | 88,104 |
| Additions | 11,334 | 3,700 | 15,034 |
| Amount of excluded subsidiaries | (39,959) | (1,331) | (41,290) |
| Write-off | (7,864) | (4,462) | (12,326) |
| Effect of exchange rates changes | 94 | (75) | 19 |
| Balance at September 30, 2022 | <u>\$ 44,614</u> | <u>4,927</u> | <u>49,541</u> |
| Balance at January 1, 2021 | \$ 99,804 | 9,017 | 108,821 |
| Additions | 3,746 | 509 | 4,255 |
| Write-off | (28,611) | (2,185) | (30,796) |
| Effect of exchange rate changes | (2,557) | (248) | (2,805) |
| Balance at September 30, 2021 | <u>\$ 72,382</u> | <u>7,093</u> | <u>79,475</u> |
| Accumulated depreciation: | | | |
| Balance at January 1, 2022 | \$ 14,814 | 4,607 | 19,421 |
| Depreciation | 8,851 | 1,313 | 10,164 |
| Amount of excluded subsidiaries | (3,823) | (209) | (4,032) |
| Write-off | (7,864) | (4,462) | (12,326) |
| Effect of exchange rates changes | 94 | (36) | 58 |
| Balance at September 30, 2022 | <u>\$ 12,072</u> | <u>1,213</u> | <u>13,285</u> |
| Balance at January 1, 2021 | \$ 46,011 | 5,166 | 51,177 |
| Depreciation | 17,059 | 2,156 | 19,215 |
| Write-off | (28,611) | (2,185) | (30,796) |
| Effect of exchange rates changes | (1,255) | (153) | (1,408) |
| Balance at September 30, 2021 | <u>\$ 33,204</u> | <u>4,984</u> | <u>38,188</u> |
| Carrying amount: | | | |
| Balance at January 1, 2022 | <u>\$ 66,195</u> | <u>2,488</u> | <u>68,683</u> |
| Balance at September 30, 2022 | <u>\$ 32,542</u> | <u>3,714</u> | <u>36,256</u> |
| Balance at September 30, 2021 | <u>\$ 39,178</u> | <u>2,109</u> | <u>41,287</u> |

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(k) Intangible assets

| | <u>Trademarks</u> | <u>Patents and technology</u> | <u>Customer relationships</u> | <u>Goodwill</u> | <u>Others</u> | <u>Total</u> |
|---------------------------------|-------------------|-----------------------------------|-----------------------------------|-----------------|---------------|----------------|
| Cost: | | | | | | |
| Balance at January 1, 2022 | \$ 99,692 | 102,847 | 320,021 | 202,652 | 22,777 | 747,989 |
| Additions | 392 | - | - | - | 2,170 | 2,562 |
| excluded subsidiaries | (65,951) | (102,847) | (81,947) | (27,294) | (11,005) | (289,044) |
| Disposals | - | - | - | - | (122) | (122) |
| Effect of exchange rate changes | - | - | - | - | (32) | (32) |
| Reclassifications | - | - | - | - | 800 | 800 |
| Balance at September 30, 2022 | <u>\$ 34,133</u> | <u>-</u> | <u>238,074</u> | <u>175,358</u> | <u>14,588</u> | <u>462,153</u> |
| Balance at January 1, 2021 | \$ 99,908 | 102,847 | 320,021 | 202,652 | 17,380 | 742,808 |
| Additions | - | - | - | - | 9,525 | 9,525 |
| Disposals | (216) | - | - | - | (6,560) | (6,776) |
| Effect of exchange rate changes | - | - | - | - | (291) | (291) |
| Balance at September 30, 2021 | <u>\$ 99,692</u> | <u>102,847</u> | <u>320,021</u> | <u>202,652</u> | <u>20,054</u> | <u>745,266</u> |
| Accumulated amortization: | | | | | | |
| Balance at January 1, 2022 | \$ 92,864 | 102,847 | 265,809 | 6,248 | 11,322 | 479,090 |
| Amortization | 3,639 | - | 25,954 | - | 2,617 | 32,210 |
| excluded subsidiaries | (65,951) | (102,847) | (76,363) | (6,248) | (9,360) | (260,769) |
| Disposals | - | - | - | - | (122) | (122) |
| Effect of exchange rate changes | - | - | - | - | 3 | 3 |
| Balance at September 30, 2022 | <u>\$ 30,552</u> | <u>-</u> | <u>215,400</u> | <u>-</u> | <u>4,460</u> | <u>250,412</u> |
| Balance at January 1, 2021 | \$ 88,260 | 102,847 | 229,118 | 6,248 | 15,307 | 441,780 |
| Amortization | 3,615 | - | 27,518 | - | 1,755 | 32,888 |
| Disposals | (216) | - | - | - | (6,560) | (6,776) |
| Effect of exchange rate changes | - | - | - | - | (118) | (118) |
| Balance at September 30, 2021 | <u>\$ 91,659</u> | <u>102,847</u> | <u>256,636</u> | <u>6,248</u> | <u>10,384</u> | <u>467,774</u> |
| Carrying amount: | | | | | | |
| Balance at January 1, 2022 | <u>\$ 6,828</u> | <u>-</u> | <u>54,212</u> | <u>196,404</u> | <u>11,455</u> | <u>268,899</u> |
| Balance at September 30, 2022 | <u>\$ 3,581</u> | <u>-</u> | <u>22,674</u> | <u>175,358</u> | <u>10,128</u> | <u>211,741</u> |
| Balance at September 30, 2021 | <u>\$ 8,033</u> | <u>-</u> | <u>63,385</u> | <u>196,404</u> | <u>9,670</u> | <u>277,492</u> |

Goodwill acquired by a consolidated company should be impaired from testing at least annually in accordance with IAS No.36, and there is no impairment loss on the basis of the results of the Impairment test performed by the consolidated company on December 31 2021. Refer to Note 6(j) to the Consolidated Financial Statement in 2021.

The estimation of the expected operating income and net operating profit of the cash-generating units of goodwill was assessed for the nine-month period ended September 30, 2022 and 2021 and showed no signs of impairment.

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Notes to the Consolidated Financial Statements

The amortization of intangible assets was included in the following line items of the consolidated statement of comprehensive income:

| | For the three-month periods ended September 30 | | For the nine-month periods ended September 30 | |
|------------------|---------------------------------------------------|---------------|--------------------------------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| Cost of revenue | \$ 33 | - | 33 | 50 |
| Selling expenses | 10,511 | 11,038 | 32,177 | 32,838 |
| | \$ 10,544 | 11,038 | 32,210 | 32,888 |

(l) Short-term borrowings

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|-----------------------------------------------|-----------------------|----------------------|-----------------------|
| Secured bank loans | \$ - | 10,334 | 446 |
| Unsecured loan from non-financial institution | - | - | 3,233 |
| | \$ - | 10,334 | 3,679 |
| Unused credit facilities | \$ 1,226,133 | 1,376,186 | 1,377,594 |
| Interest rate | - | 1.54%~5.57% | 2%~5.57% |

For more information about the Group's exposure to interest rate risk and liquidity risk see Note 6(v). Refer to Note 8 for detail on related assets pledged as collateral for secured loans.

(m) Lease liabilities

Carrying amount of lease liabilities of the consolidated company are as follows:

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|-------------|-----------------------|----------------------|-----------------------|
| Current | \$ 10,252 | 18,317 | 13,484 |
| Non-current | \$ 26,878 | 50,602 | 27,820 |

For the maturity analysis, please refer to Note 6(v).

The amounts recognized in profit or loss were as follows:

| | For the three-month periods ended September 30 | | For the nine-month periods ended September 30 | |
|-------------------------------------------------|---------------------------------------------------|------------|--------------------------------------------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| Interest on lease liabilities | \$ 207 | 322 | 744 | 778 |
| Expenses relating to short-term leases | \$ 259 | 806 | 1,231 | 3,863 |
| Expenses relating to leases of low-value assets | \$ 8 | 30 | 40 | 90 |

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

| | For the nine-month periods ended | |
|-------------------------------|----------------------------------|--------|
| | September 30 | |
| | 2022 | 2021 |
| Total cash outflow for leases | \$ 11,240 | 28,152 |

(i) Real estate leases

The Group leases buildings for its offices, factories and staff dormitory, the leases typically run for a period of one to five years. If the Group needed to renew the lease of contract amount at the end of contract term, and the Group to remeasure lease liabilities and right-of-use assets. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term ◦

(ii) Other leases

The Group leases transportation equipments and other equipments, with lease terms of one to three years. These leases are short-term or low-value assets, the Group apply the exemption and not to recognize right-of-use assets and lease liabilities for these leases.

(n) Provision for warranties

| | For the nine-month periods ended | |
|---------------------------------|----------------------------------|---------|
| | September 30 | |
| | 2022 | 2021 |
| Balance at January 1 | \$ 33,979 | 32,068 |
| Provisions made | 10,808 | 2,963 |
| Amount utilized | (1,907) | (2,667) |
| Amount of excluded subsidiaries | (2,786) | - |
| Effect of exchange rate changes | (1,149) | (843) |
| Balance at September 30 | \$ 38,945 | 31,521 |

The provision for warranties is estimated based on historical warranty data associated with similar products. The Group expects to settle most of the warranty liability in one to three years from the date of the sale of the product.

(o) Employee benefits

(i) Defined benefit plans

As there were no significant market fluctuations and significant reductions, liquidations or other material one-time events after the end of the previous financial year, the consolidated company used the actuarial costs of December 31, 2021 and 2020 to measure and disclose pension costs for the mid-period.

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The present value of defined benefit obligations and the fair value of plan assets were as follows:

| | For the three-month periods ended September 30 | | For the nine-month periods ended September 30 | |
|--------------------|---------------------------------------------------|------|--------------------------------------------------|------|
| | 2022 | 2021 | 2022 | 2021 |
| Operating expenses | \$ 33 | 35 | 100 | 106 |

(ii) Defined contribution plans

The definitive redeployment scheme of the Company and other domestic consolidated subsidiaries is based on the provisions of the Labor Pension Ordinance and the individual account for the labour pension of the Labor Insurance Bureau at a rate of 6% of the monthly wages of the worker, under which the consolidated company shall allocate a fixed amount in accordance with the provision, and there is no statutory or presumptive obligation to pay the additional amount. Foreign subsidiaries withdraw and pay pensions in accordance with local laws and regulations.

The details of expenses under the scheme for determining the retirement of pensions by the consolidated company is as follows :

| | For the three-month periods ended September 30 | | For the nine-month periods ended September 30 | |
|--------------------|---------------------------------------------------|-------|--------------------------------------------------|--------|
| | 2022 | 2021 | 2022 | 2021 |
| Operating cost | \$ 1,544 | 1,176 | 3,778 | 3,470 |
| Operating expenses | 4,240 | 5,722 | 13,543 | 16,967 |
| | \$ 5,784 | 6,898 | 17,321 | 20,437 |

(p) Income taxes

(i) The details of income tax expenses of the consolidated corporate are as follows:

| | For the three-month periods ended September 30 | | For the nine-month periods ended September 30 | |
|--------------------|---------------------------------------------------|--------|--------------------------------------------------|---------|
| | 2022 | 2021 | 2022 | 2021 |
| Income Tax Expense | \$ 54,140 | 49,369 | 163,856 | 100,729 |

(ii) The consolidated company did not have income tax under directly recognized equity or other comprehensive income (loss) for the nine-month ended September 30, 2022 and 2021.

(iii) Except for the declaration of income tax settlement in for-profit enterprise of the Company has not yet been approved in 2018, and the others have been submitted to the auditing authority for approval until 2020.

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(q) Capital and other equity

Except as described below, no significant changes in share capital and other interests of the consolidated company for the nine-month ended September 30, 2022 and 2021. Refer to Note 6(p) to the Consolidated Financial Statement in 2021 for details.

(i) Common stock

As of September 30, 2022, December 31, 2021 and September 30, the Company's authorized shares of common stock both consisted of 220,000 thousand shares with par value of \$10 (dollars) per share, both of which 143,062 thousand shares were issued and outstanding.

(ii) Capital surplus

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|----------------------------------------------------------------------------------------------------------------------------------|-----------------------|----------------------|-----------------------|
| Premium derived from the issuance of shares in excess of par value: | | | |
| Premium on common stock issued of conversion of convertible bonds | \$ 522,161 | 522,161 | 522,161 |
| Forfeited employee stock options | 2,433 | 2,433 | 2,433 |
| Difference between the consideration and the carrying amounts arising from the acquisition or disposal of shares in subsidiaries | - | 982 | 982 |
| Changes in ownership interest in subsidiaries | - | 2,764 | 2,764 |
| Gain on disposal of assets | 15 | 15 | 15 |
| | \$ 524,609 | 528,355 | 528,355 |

(iii) Retained earnings and dividend policy

The Company's Articles of Incorporation stipulate that at least 10% of annual net income after deducting an accumulated deficit, if any, must be retained as a legal reserve until such retention equals the amount of paid-in capital. In addition, a special reserve should be set aside in accordance with applicable laws and regulations. The remaining balance of annual net income, together with the unappropriated earnings from the previous years, should be distributed according to the proposal by the board of directors to be approved in the shareholders' meeting. Appropriation of earnings should not be less than 60% of the net income after deducting an accumulated deficit, legal reserve, and special reserve.

In view of the overall economic environment and the development of the industry, and in order to meet the Company's long-term financial planning and cash requirements of stockholders, the Company has adopted a stable dividend policy in which a cash dividend comprises at least 10% of total distribution of dividends.

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Notes to the Consolidated Financial Statements

The distribution of earnings for 2021 and 2020 had been approved in the meetings of shareholders held on June 8, 2022, and July 7, 2021, respectively. The relevant dividend distributions to shareholders were as follows:

| | 2021 | | 2020 | |
|----------------------------------------|----------------------------------------|--------------|----------------------------------------|--------------|
| | Dividends per share (in dollars) | Total amount | Dividends per share (in dollars) | Total amount |
| Dividends distributed to shareholders: | | | | |
| Cash | \$ 4.00 | 572,249 | 4.00 | 572,249 |

The 2020 earnings distribution also resolved to issue cash in the capital surplus and distribute NTD\$0.5 per share, so the total amount of cash allocated for the 2020 earnings distribution was NTD\$ 4 per share.

(iv) Other equity items (net after tax)

| | Foreign currency translation differences | Remeasureme nt of defined benefit plans | Total |
|---------------------------------------------------------------------------------|------------------------------------------------|-----------------------------------------------|----------|
| Balance at January 1, 2022 | \$ (68,916) | (4,557) | (73,473) |
| Exchange differences on translation of the net assets of the foreign operations | 18,854 | - | 18,854 |
| Disposition of subsidiaries | 517 | - | 517 |
| Balance at September 30, 2022 | \$ (49,545) | (4,557) | (54,102) |
| Balance at January 1, 2021 | \$ (50,942) | (6,997) | (57,939) |
| Exchange differences on translation of the net assets of the foreign operations | (15,592) | - | (15,592) |
| Balance at September 30, 2021 | \$ (66,534) | (6,997) | (73,531) |

(v) Non-controlling interests (net after tax)

| | For the nine-month periods ended September 30 | |
|-------------------------------------------------------------------------|--------------------------------------------------|----------|
| | 2022 | 2021 |
| Balance at January | \$ 308,920 | 274,865 |
| Equity attributable to non-controlling interest: | | |
| Net profit (loss) for the current period | (17,442) | 7,670 |
| Cash dividends of subsidiaries distributed to non-controlling interests | - | (15,969) |
| Increase (decrease) in non-controlling interests | (222,854) | 44,400 |
| Foreign currency translation differences | 1,449 | (648) |
| Changes in ownership interest in subsidiaries | 10,009 | (2,764) |
| | \$ 80,082 | 307,554 |

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(r) Earnings per share (“EPS”)

(i) Basic EPS

| | For the three-month periods ended September 30 | | For the nine-month periods ended September 30 | |
|--------------------------------------------------------------------------------|----------------------------------------------------------|-------------|--------------------------------------------------|-------------|
| | 2022 | 2021 | 2022 | 2021 |
| | Profit attributable to shareholders of the Company | \$ 318,230 | 200,147 | 949,768 |
| Weighted-average number of ordinary shares outstanding (in thousands) | 143,062 | 143,062 | 143,062 | 143,062 |
| Basic EPS (dollars) | <u>\$ 2.22</u> | <u>1.40</u> | <u>6.64</u> | <u>3.06</u> |

(ii) Diluted EPS

| | For the three-month periods ended September 30 | | For the nine-month periods ended September 30 | |
|-----------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|-------------|--------------------------------------------------|-------------|
| | 2022 | 2021 | 2022 | 2021 |
| | Profit attributable to shareholders of the Company (diluted) | \$ 318,230 | 200,147 | 949,768 |
| Weighted-average number of ordinary shares outstanding (in thousands) | 143,062 | 143,062 | 143,062 | 143,062 |
| Effect of potentially dilutive common shares: | | | | |
| Effect of employee bonuses | 1,457 | 523 | 1,804 | 753 |
| Weighted-average number of ordinary shares outstanding (in thousands) (including effect of dilutive potential common stock) | 144,519 | 143,585 | 144,866 | 143,815 |
| Diluted EPS (dollars) | <u>2.20</u> | <u>1.39</u> | <u>6.56</u> | <u>3.04</u> |

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Notes to the Consolidated Financial Statements

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

| | For the three-month periods ended September 30 | | For the nine-month periods ended September 30 | |
|----------------------|---------------------------------------------------|------------------|--------------------------------------------------|------------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| | Primary geographical markets: | | | |
| Domestic sales | \$ 231,879 | 32,744 | 338,722 | 104,254 |
| Export: | | | | |
| Asia | 140,043 | 134,294 | 381,033 | 467,709 |
| America | 711,997 | 664,567 | 2,406,619 | 1,402,947 |
| Europe and Africa | 329,142 | 602,034 | 1,444,333 | 1,547,587 |
| | <u>1,181,182</u> | <u>1,400,895</u> | <u>4,231,985</u> | <u>3,418,243</u> |
| | <u>\$ 1,413,061</u> | <u>1,433,639</u> | <u>4,570,707</u> | <u>3,522,497</u> |
| Major products: | | | | |
| Industrial computers | \$ 1,250,237 | 1,143,710 | 3,969,092 | 2,798,856 |
| Peripherals | 122,962 | 247,009 | 501,733 | 627,605 |
| Others | 39,862 | 42,920 | 99,882 | 96,036 |
| | <u>\$ 1,413,061</u> | <u>1,433,639</u> | <u>4,570,707</u> | <u>3,522,497</u> |

(ii) Contract balances

| | <u>September 30, 2022</u> | <u>December 31, 2021</u> | <u>September 30, 2021</u> |
|--------------------------------|-------------------------------|------------------------------|-------------------------------|
| Notes and accounts receivable | \$ 1,394,232 | 1,209,813 | 1,060,562 |
| Less: loss allowance | (2,606) | (1,639) | (3,661) |
| Total | <u>\$ 1,391,626</u> | <u>1,208,174</u> | <u>1,056,901</u> |
| | <u>September 30, 2022</u> | <u>December 31, 2021</u> | <u>September 30, 2021</u> |
| Contract liabilities — current | <u>\$ 20,156</u> | <u>48,079</u> | <u>83,223</u> |

Please refer to note 6(d) for details on notes and accounts receivable and its loss allowance.

The amount of revenue recognized for the nine-month ended September 30, 2022 and 2021 that was included in the contract liability balance at the beginning of period were \$35,046 and \$38,722, respectively.

(t) Remuneration of employees and directors and supervisors

Pursuant to the Company's articles of incorporation, the Company shall distribute 3% to 15% of its profits in the current period as compensation to its employees and no more than

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3% to its directors and supervisors. Nevertheless, the profits in the current period should be reserved for offsetting the accumulated deficit, if any, prior to distributing the compensation to the employees and directors and supervisors. The aforementioned compensation of employees could be distributed in the form of cash or stock to the employees of the Company's subsidiaries conforming to certain requirements.

For the three-month periods ended September 30, 2022 and 2021, and for the nine-month periods ended September 30, 2022 and 2021, the Company accrued the remuneration to its employees amounting to \$34,125, \$16,125, \$100,375, and \$34,375, respectively, and the remuneration to its directors amounting to \$875, \$875, \$2,625 and \$2,625, which were calculated based on the net profits before tax of each period (excluding the remuneration to employees and directors), multiplied by the distribution ratio of remuneration to employees and directors under the Company's articles of incorporation, and recognized as cost of revenue and operating expenses. If the actual amounts differ from the estimated amounts, the differences shall be accounted as changes in accounting estimates and recognized as profit or loss in following year.

For the year ended December 31, 2021 and 2020, the Company accrued the remuneration to its employees amounting to \$60,000 and \$51,500, respectively, and the remuneration to its directors amounting to \$3,500 for both two years, The aforementioned accrued compensation of employees, directors and supervisors is the same as the amounts approved by the Board of Directors, and will be paid in cash. The related information would be available at the Market Observation Post System website.

(u) Non-operating income and loss

(i) Interest income

| | For the three-month periods ended September 30 | | For the nine-month periods ended September 30 | |
|--|---------------------------------------------------|----------|--------------------------------------------------|-------|
| | 2022 | 2021 | 2022 | 2021 |
| | Interest income from bank deposit | \$ 1,768 | 1,543 | 4,965 |

(ii) Other income

| | For the three-month periods ended September 30 | | For the nine-month periods ended September 30 | |
|--------|---------------------------------------------------|-------|--------------------------------------------------|--------|
| | 2022 | 2021 | 2022 | 2021 |
| | Government grant | \$ - | 1,895 | - |
| Others | 3,862 | 967 | 6,610 | 7,566 |
| | \$ 3,862 | 2,862 | 6,610 | 12,126 |

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Notes to the Consolidated Financial Statements

(iii) Other gains and losses

| | For the three-month periods ended September 30 | | For the nine-month periods ended September 30 | |
|------------------------------------------------------------------------------------------|---------------------------------------------------|----------------|--------------------------------------------------|-----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Net gain (loss) on disposal of property, plant and equipment | \$ (3) | (276) | 217 | (1,288) |
| Disposition of subsidiaries interests(Note 6(h)) | - | - | 22,042 | - |
| Foreign currency exchange gain (loss) | 66,453 | (5,643) | 124,793 | (16,209) |
| Net gain (loss) on financial assets and liabilities at fair value through profit or loss | (9,745) | 1,747 | (21,009) | 4,034 |
| Impairment loss (Note 6(f)) on investments accounted for using equity method | - | - | (10,915) | - |
| Others | (2) | - | (29) | - |
| | <u>\$ 56,703</u> | <u>(4,172)</u> | <u>115,099</u> | <u>(13,463)</u> |

(iv) Finance costs

| | For the three-month periods ended September 30 | | For the nine-month periods ended September 30 | |
|-----------------------------------------|---------------------------------------------------|------------|--------------------------------------------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| Interest expense from bank loans | \$ (3) | 99 | 123 | 529 |
| Interest expense from lease liabilities | 207 | 322 | 744 | 778 |
| | <u>\$ 204</u> | <u>421</u> | <u>867</u> | <u>1,307</u> |

(v) Financial instruments

Except as described below, there is no significant change in the exposure of the consolidated company to credit risk, liquidity risk, and market risk (including currency risk and interest rate risk) due to financial instruments. Refer to Note 6(u)(v) to the Consolidated Financial Statement in 2021 for details.

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(i) Categories of financial instruments

1) Financial assets

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|----------------------------------------------------------------------------|-----------------------|----------------------|-----------------------|
| Financial assets at fair value through profit or loss | | | |
| Financial assets mandatorily measured at fair value through profit or loss | <u>\$ 9,408</u> | <u>11,522</u> | <u>9,586</u> |
| Financial assets at amortized cost | | | |
| Cash and cash equivalents | \$ 1,972,888 | 1,954,290 | 1,813,457 |
| Financial assets at amortized cost | 289,352 | 180,681 | 141,364 |
| Notes and Accounts Receivable (Payable) | 1,391,626 | 1,208,174 | 1,056,901 |
| Refundable deposits | <u>1,834</u> | <u>3,575</u> | <u>3,586</u> |
| | <u>\$ 3,655,700</u> | <u>3,346,720</u> | <u>3,015,308</u> |

2) Financial liabilities

| | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|-----------------------------------------------------------------------------|-----------------------|----------------------|-----------------------|
| Financial liabilities at fair value through profit or loss: | | | |
| Financial liabilities held-for-trading – foreign currency forward contracts | <u>\$ 4,803</u> | <u>-</u> | <u>282</u> |
| Financial liabilities measured at amortized cost: | | | |
| Short term borrowings | \$ - | 10,334 | 3,679 |
| Notes and accounts payable | 575,271 | 765,556 | 840,267 |
| Lease liabilities (including non-current) | 37,130 | 68,919 | 41,304 |
| Other payables | <u>329,862</u> | <u>316,113</u> | <u>282,224</u> |
| | <u>\$ 942,263</u> | <u>1,160,922</u> | <u>1,167,474</u> |

(ii) Credit risk

For credit risk exposure and loss allowance of notes and accounts receivables, please refer to note 6(d). Cash, accounts receivable from related parties and other financial assets are considered as low-credit-risk financial assets, and thus, the loss allowance are measured using 12-months ECL. As of September 30, 2022, December 31, 2021, and September 30, 2021, no loss allowance was provided for these financial assets after management's assessment.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling its financial liabilities by delivering cash or other financial assets. The Group manages liquidity risk by monitoring regularly the current and mid- to long-term cash demand, and maintaining adequate cash and banking facilities. As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group had unused credit facilities of \$1,226,133, \$1,376,186 and

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\$1,377,594, respectively.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

| | <u>Contractual cash flows</u> | <u>Within 1 years</u> | <u>1-2 years</u> | <u>More than 2 years</u> |
|---------------------------------------|-----------------------------------|---------------------------|----------------------|------------------------------|
| September 30, 2022 | | | | |
| Non-derivative financial liabilities | | | | |
| Notes and accounts payable | \$ 575,271 | 575,271 | - | - |
| Lease liabilities | 38,887 | 11,037 | 10,825 | 17,025 |
| Other payables | <u>329,862</u> | <u>329,862</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 944,020</u> | <u>916,170</u> | <u>10,825</u> | <u>17,025</u> |
| Foreign currency forward contracts: | | | | |
| Outflow | \$ 95,356 | 95,356 | - | - |
| Inflow | <u>(90,553)</u> | <u>(90,553)</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 4,803</u> | <u>4,803</u> | <u>-</u> | <u>-</u> |
| December 31, 2021 | | | | |
| Non-derivative financial liabilities: | | | | |
| Short-term borrowings | \$ 10,390 | 10,390 | - | - |
| Notes and accounts payable | 765,556 | 765,556 | - | - |
| Lease liabilities | 72,446 | 19,754 | 16,929 | 35,763 |
| Other payables | <u>316,113</u> | <u>316,113</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 1,164,505</u> | <u>1,111,813</u> | <u>16,929</u> | <u>1,164,505</u> |
| Derivative financial instruments: | | | | |
| Foreign currency forward contracts: | | | | |
| Outflow | \$ 221,249 | 221,249 | - | - |
| Inflow | <u>(223,190)</u> | <u>(223,190)</u> | <u>-</u> | <u>-</u> |
| | <u>\$ (1,941)</u> | <u>(1,941)</u> | <u>-</u> | <u>-</u> |
| September 30, 2021 | | | | |
| Non-derivative financial liabilities: | | | | |
| Short-term borrowings | \$ 3,701 | 3,701 | - | - |
| Notes and accounts payable | 840,267 | 840,267 | - | - |
| Lease liabilities | 43,814 | 14,476 | 9,259 | 20,079 |
| Other payables | <u>282,224</u> | <u>282,224</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 1,170,006</u> | <u>1,140,668</u> | <u>9,259</u> | <u>20,079</u> |
| Derivative financial instruments: | | | | |
| Foreign currency forward contracts: | | | | |
| Outflow | \$ 222,795 | 222,795 | - | - |
| Inflow | <u>(222,519)</u> | <u>(222,519)</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 276</u> | <u>276</u> | <u>-</u> | <u>-</u> |

The Group does not expect that the cash flows included in the maturity analysis would occur significantly earlier or at significantly different amounts.

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(iv) Foreign currency risk

The Group's exposure to foreign currency risk arises from cash and cash equivalents, notes and accounts receivable(payables) and other payables. At the reporting date, the carrying amounts of the Group's significant monetary assets and liabilities denominated in a currency other than the respective functional currencies of Group entities were as follows (including the monetary items that have been eliminated in the accompanying consolidated financial statements):

| (Amount in Thousands of Dollars) | | | | | | |
|----------------------------------|-----------------------------|--------------------------|------------|--------------------------------|-------------------------------------------------|--------|
| September 30, 2022 | | | | | | |
| | Foreign currency | Exchange rate | NTD | Change in magnitude | Pre-tax effect on profit or loss | |
| <u>Financial assets</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD | \$ | 40,215 | 31.77 | 1,277,631 | 1% | 12,776 |
| EUR | | 28 | 31.27 | 876 | 1% | 9 |
| GBP | | 5,473 | 35.51 | 194,346 | 1% | 1,943 |
| <u>Financial liabilities</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD | | 4,891 | 31.77 | 155,387 | 1% | 1,554 |
| EUR | | 31 | 31.27 | 969 | 1% | 10 |
| GBP | | 161 | 35.51 | 5,717 | 1% | 57 |
| December 31, 2021 | | | | | | |
| | Foreign currency | Exchange rate | NTD | Change in magnitude | Pre-tax effect on profit or loss | |
| <u>Financial assets</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD | \$ | 44,103 | 27.68 | 1,220,771 | 1% | 12,208 |
| EUR | | 4,316 | 31.32 | 135,177 | 1% | 1,352 |
| GBP | | 7,926 | 37.28 | 295,481 | 1% | 2,955 |
| <u>Financial liabilities</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD | | 15,082 | 27.68 | 417,470 | 1% | 4,175 |
| GBP | | 165 | 37.28 | 6,151 | 1% | 62 |

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| September 30, 2021 | | | | | | |
|------------------------------|---------------------|------------------|-------|------------------------|----------------------------------------|-------|
| | Foreign currency | Exchange rate | NTD | Change in magnitude | Pre-tax effect on profit or loss | |
| <u>Financial assets</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD | \$ | 34,556 | 27.85 | 962,281 | 1% | 9,623 |
| EUR | | 4,129 | 32.33 | 133,491 | 1% | 1,335 |
| GBP | | 5,466 | 37.43 | 204,592 | 1% | 2,046 |
| <u>Financial liabilities</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD | | 16,310 | 27.85 | 454,185 | 1% | 4,542 |
| GBP | | 179 | 37.43 | 6,700 | 1% | 67 |

Due to the varieties of functional currency within the Group, the Group disclosed foreign exchange gain (loss) on monetary items in aggregate. Refer to Note 6(u) for details.

(v) Fair value valuation-financial instruments not measured at fair value

The Group considers that the carrying amounts of financial assets and financial liabilities measured at amortized cost approximate their fair values.

(vi) Financial instruments that are measured at fair value

The carrying amounts and fair value of the financial assets and financial liabilities of the consolidated company, as measured at fair value, are as follows:

| | September 30, 2022 | | | | |
|----------------------------------------------------------------|--------------------|------------|---------|-------|-------|
| | Carrying Amount | Fair Value | | | Total |
| | Level 1 | Level 2 | Level 3 | | |
| Financial assets at fair value through profit or loss: | | | | | |
| — Convertible bonds | \$ 9,408 | - | - | 9,408 | 9,408 |
| Financial liabilities at fair value through profit or loss: | | | | | |
| Financial liabilities held-for-trading | | | | | |
| — Foreign currency forward contracts | \$ 4,803 | - | 4,803 | - | 4,803 |

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| | December 31, 2021 | | | | |
|----------------------------------------------------------------------------|-------------------------|-----------------|---------------------|---------------------|----------------------|
| | Carrying Amount | Fair Value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through profit or loss: | | | | | |
| Financial assets mandatorily measured at fair value through profit or loss | | | | | |
| – Foreign currency forward contracts | \$ 1,941 | - | 1,941 | - | 1,941 |
| – Convertible bonds | <u>9,581</u> | <u>-</u> | <u>-</u> | <u>9,581</u> | <u>9,581</u> |
| | <u>\$ 11,522</u> | <u>-</u> | <u>1,941</u> | <u>9,581</u> | <u>11,522</u> |
| | | | | | |
| | September 30, 2021 | | | | |
| | Carrying Amount | Fair Value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets mandatorily measured at fair value through profit or loss | | | | | |
| – Foreign currency forward contracts | \$ 6 | - | 6 | - | 6 |
| – Convertible bonds | <u>9,580</u> | <u>-</u> | <u>-</u> | <u>9,580</u> | <u>9,580</u> |
| | <u>\$ 9,586</u> | <u>-</u> | <u>6</u> | <u>9,580</u> | <u>9,586</u> |
| Financial liabilities at fair value through profit or loss: | | | | | |
| Financial liabilities held-for-trading | | | | | |
| – Foreign currency forward contracts | <u>\$ 282</u> | <u>-</u> | <u>282</u> | <u>-</u> | <u>282</u> |

1) Fair value level

The different levels have been defined as follows:

- A. Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- B. Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- C. Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

2) Valuation techniques and assumptions used in fair value measurement

A. Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily available. For unquoted equity instruments which cannot be

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transferred freely in public market, their fair values are determined by using the valuation techniques adopted by the Corporation based on the information from the Market Observation Post System, Taiwan Stock Exchange, etc., and calculated by using the Black-Scholes Model. The Company uses the quoted market prices and the price-book ratios of similar publicly traded companies into consideration by using the market comparison approach. The estimates had been adjusted by the depreciation from lack of market liquidity.

B. Derivative financial instruments

The fair value of foreign currency forward contracts is computed individually by each contract using the valuation technique.

3) Transfers between fair value levels

No transfer of financial assets and financial liabilities to the fair value levels for the nine-month periods ended September 30, 2022 and 2021.

4) Movement in financial assets included Level 3 fair value hierarchy:

| | For the nine-month periods ended September 30 | |
|---------------------------|-----------------------------------------------|--------------|
| | 2022 | 2021 |
| Balance at January 1 | \$ 9,581 | 9,516 |
| Recognized in profit loss | (173) | 64 |
| Balance at September 30 | \$ 9,408 | 9,580 |

(w) Financial risk management

There are no material changes to the financial risk management objectives and policies of the consolidated companies and those disclosed in Note 6(v) to the 2021 Consolidated Financial Statement.

(x) Capital management

The capital management objectives, policies and procedures of consolidated company are consistent with those disclosed in the 2021 consolidated financial statements. Refer to Note 6(w) for the 2021 consolidated reports.

(y) Investing and financing activities not affecting current cash flow

(i) For acquisition of right-of-use assets under operating lease, please refer to note 6(j).

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

| | January 1, 2022 | Cash flows | Non-cash changes | | | September 30, 2022 |
|---------------------------------------------|--------------------|-----------------|---------------------------------------------|--------------------|---------------------------------------------|-----------------------|
| | | | Amount of disposition of subsidiaries | Change in lease | Foreign currency exchange movement | |
| Short-term borrowings | \$ 10,334 | (10,067) | (268) | - | 1 | - |
| Lease liabilities | 68,919 | (9,225) | (37,542) | 15,034 | (56) | 37,130 |
| Total liabilities from financing activities | \$ 79,253 | (19,292) | (37,810) | 15,034 | (55) | 37,130 |

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| | January 1, 2021 | Cash flows | Non-cash changes | | September 30, 2021 |
|---------------------------------------------|--------------------|-----------------|--------------------|---------------------------------------------|-----------------------|
| | | | Change in lease | Foreign currency exchange movement | |
| Short-term borrowings | \$ 7,810 | (3,531) | - | (600) | 3,679 |
| Lease liabilities | 61,883 | (23,421) | 4,255 | (1,413) | 41,304 |
| Total liabilities from financing activities | <u>\$ 69,693</u> | <u>(26,952)</u> | <u>4,255</u> | <u>(2,013)</u> | <u>44,983</u> |

7. Related-party transactions

(a) Significant related-party transactions: None.

(b) Compensation of key management personnel

| | For the three-month periods ended September 30 | | For the nine-month periods ended September 30 | |
|------------------------------|---------------------------------------------------|---------------|--------------------------------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| Short-term employee benefits | \$ 15,909 | 11,129 | 40,608 | 37,721 |
| Post-employment benefits | 225 | 198 | 666 | 684 |
| | <u>\$ 16,134</u> | <u>11,327</u> | <u>41,274</u> | <u>38,405</u> |

8. Pledged assets

The carrying amounts of assets pledged as collateral are detailed below:

| Pledged assets | Pledged to secure | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|-----------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-----------------------|----------------------|-----------------------|
| Inventory | Credit lines of short-term borrowings | \$ - | 68,908 | 76,165 |
| Time deposits (classified as financial assets measured at amortized cost—current) | Guarantee deposit for custom duties, government grants project and bank loans | 684 | 10,678 | 678 |
| IT equipment (classified as office equipment) | Secured bank loans | - | 595 | 673 |
| | | <u>\$ 684</u> | <u>80,181</u> | <u>77,516</u> |

9. Significant commitments and contingencies :None

10. Significant losses due to major disasters: None

11. Significant subsequent events: None

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12. Others

(a) Employee benefits, depreciation, and amortization expenses, categorized by function, were as follows:

| By function By item | For the three-month periods ended September 30, 2022 | | | For the three-month periods ended September 30, 2021 | | |
|------------------------|---------------------------------------------------------|--------------------|---------|---------------------------------------------------------|--------------------|---------|
| | Cost of sales | Operating expenses | Total | Cost of sales | Operating expenses | Total |
| Employee benefits: | | | | | | |
| Salaries | 41,096 | 139,260 | 180,356 | 37,831 | 137,627 | 175,458 |
| Insurance | 2,718 | 7,154 | 9,872 | 2,954 | 7,297 | 10,251 |
| Pension | 1,544 | 4,273 | 5,817 | 1,176 | 5,757 | 6,933 |
| Others | 1,116 | 2,734 | 3,850 | 1,244 | 3,830 | 5,074 |
| Depreciation | 13,267 | 7,715 | 20,982 | 17,801 | 10,334 | 28,135 |
| Amortization | 33 | 10,511 | 10,544 | - | 11,038 | 11,038 |

| By function By item | For the nine-month periods ended September 30, 2022 | | | For the nine-month periods ended September 30, 2021 | | |
|------------------------|--------------------------------------------------------|--------------------|---------|--------------------------------------------------------|--------------------|---------|
| | Cost of sales | Operating expenses | Total | Cost of sales | Operating expenses | Total |
| Employee benefits: | | | | | | |
| Salaries | 126,117 | 402,633 | 528,750 | 102,095 | 364,642 | 466,737 |
| Insurance | 9,161 | 21,859 | 31,020 | 8,976 | 21,723 | 30,699 |
| Pension | 3,778 | 13,643 | 17,421 | 3,470 | 17,073 | 20,543 |
| Others | 3,482 | 8,424 | 11,906 | 3,668 | 10,070 | 13,738 |
| Depreciation | 42,158 | 24,002 | 66,160 | 54,586 | 33,132 | 87,718 |
| Amortization | 33 | 32,177 | 32,210 | 50 | 32,838 | 32,888 |

(b) Seasonality of operations: The operations of the consolidated company are not significantly affected by seasonal or cyclical factors.

13. Additional disclosures

(a) Information on significant transactions:

For the nine-month periods ended September 30, 2022, in accordance with the provisions of the financial reporting standards for securities issuers, the consolidated company shall re-disclose relevant information on major transactions as follows:

(i) Financing provided to other parties:

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(Amounts in Thousands of New Taiwan Dollars/Euro/GBP)

| No. (Note 1) | Financing Company | Counter- party | Financial Statement Account | Related Parties | Maximum Balance for the Period | Ending Balance | Actual Drawdown Amounts | Interest Rate | Nature of Financing (Note 2) | Transaction Amounts | Reasons for Short-term Financing | Allowance for Doubtful Accounts | Collateral | | Financing Limits for Each Borrowing Company (Note 3) | No. (Note 3) |
|-----------------|--------------------------------|-------------------------------------|-----------------------------------|--------------------|--------------------------------------|-------------------|-------------------------------|------------------|------------------------------------|------------------------|----------------------------------------|---------------------------------------|------------|-------|---------------------------------------------------------------------|-----------------|
| | | | | | | | | | | | | | Item | Value | | |
| 1 | Poindus Systems (Note 4) | Adasys | Long term other receivables | Yes | 20,386 (EUR650) | - | - | 2% | 1 | 135,988 | | - | | - | 55,681 | 222,723 |
| 1 | Poindus Systems (Note 4) | Poindus Systems UK Limited | Long term other receivable | Yes | 24,410 (GBP650) | - | - | 1% | 1 | 85,742 | | - | | - | 39,102 | 222,723 |

Note 1: Represents the Company.

1. "0" represents the Company
2. Subsidiaries are numbered from "1"

Note 2: Nature of financing

1. Business transaction purpose
2. Short-term financing

Note 3: The individual financing amounts shall not exceed the lower amounts of transaction amounts of the most recent year and 10% of the most recent audited or reviewed net worth of Poindus Systems. The aggregate financing amount shall not exceed 40% of the most recent audited or reviewed net worth of Poindus Systems.

Note 4: Poindus Systems was disposed in February 2022.

(ii) Guarantees and endorsements provided to other parties:

(Amount in Thousands of New Taiwan Dollars)

| No. (Note 1) | Endorsement Guarantee Provider | Guaranteed Party | | Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 3) | Maximum Balance for the Period | Ending Balance | Amount Actually Drawn | Amount of Endorsement/ Guarantee Collateralized by Properties | Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements | Maximum Endorsement/ Guarantee Amount Allowable (Note 3) | Guarantee Provided by Parent Company | Guarantee Provided by A Subsidiary | Guarantee Provided to Subsidiaries in Mainland China |
|-----------------|--------------------------------------|--------------------------------|---------------------------------------|---------------------------------------------------------------------------------------------------------|-----------------------------------------|-------------------|-----------------------------|---------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|-----------------------------------------------|------------------------------------------|------------------------------------------------------------------|
| | | Name | Nature of Relationship (Note 2) | | | | | | | | | | |
| 0 | The Company | Box Technologies Limited | 2 | 897,949 | 40,000 | 40,000 | - | - | 0.83 % | 2,409,548 | Y | N | N |

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

1. The Company is "0"
2. The subsidiaries are numbered in order starting from "1"

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified as "2" the endorser/guarantor which the parent company owns directly more than 50% of its voting shares.

Note 3: The Company provides guarantee to a subsidiary which the parent company owns directly 100% of its voting shares; the limit on endorsement or guarantee provided by the Company to a single party should not exceed 20% of its net worth. The total amount of endorsement or guarantee provided by the Company should not exceed 50% of its net worth.

(iii) Marketable securities held at the reporting date (excluding investments in subsidiaries, associates, and jointly controlled entities):

(Amounts in Thousands of New Taiwan Dollars and shares)

| Investing Company | Marketable Securities Type and Name | Relationship with the Securities Issuer | Financial Statement Account | Ending Balance | | | | Note |
|----------------------|------------------------------------------------------|--------------------------------------------------|------------------------------------------------------------------|---------------------|-------------------|----------------------------|------------|------|
| | | | | Number of Shares | Carrying Value | Percentage of Ownership | Fair value | |
| The Company | Convertible bond; Nextronics engineering corp. | - | Financial assets at fair value through profit or loss-current | 0.1 | 9,408 | - | 9,408 | - |
| Flytech CN BVI | Convertible bond; Astra cloud holdings | - | Financial assets at fair value through profit or loss-current | - | - | - | - | - |

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(iv) Marketable securities for which the accumulated purchase or sale amounts for the year exceed \$300 million or 20% of the paid-in capital

(Amounts in Thousands of New Taiwan Dollars and shares)

| Company Name | Type and Name of Securities | Final Statement Account | Counter-party | Relationship | Beginning Balance | | Acquisition | | Disposal | | | | Ending Balance | |
|-------------------------------|-----------------------------|---------------------------------------------------|-------------------------|-------------------|-------------------|---------|-------------|--------|----------|---------|---------------|------------------------|----------------|--------|
| | | | | | Shares | Amount | Shares | Amount | Shares | Amount | Carrying Cost | Gain(Loss) on Disposal | Shares | Amount |
| Fei Shiun Investment Co. Ltd. | Poindus Systems stock | Investments Accounted for Using the Equity Method | Compal Electronics Inc. | Non-related party | 10,354 | 274,720 | - | - | 10,354 | 309,688 | 287,646 | 22,042 | - | - |

(v) Acquisition of real estate which exceeds \$300 million or 20% of the paid-in capital: None

(vi) Disposal of real estate which exceeds \$300 million or 20% of the paid-in capital: None

(vii) Total purchases from and sales to related parties which exceed \$100 million or 20% of the paid-in capital:

(Amounts in Thousands of New Taiwan Dollars)

| Company Name | Related Party | Relationship | Transaction Details | | | | Transactions with Terms Different from Others | | Notes/Accounts Receivable (Payable) | | Note |
|--------------|---------------|--------------|---------------------|----------------|-------------------------------|---------------|-----------------------------------------------|---------------|-------------------------------------|------------------------------------------------|------|
| | | | Sales | Amount (Note3) | % of Total (Purchases) /Sales | Payment Terms | Unit Price | Payment Terms | Ending Balance | % of Total Notes/Accounts Receivable (Payable) | |
| The Company | Box UK | Subsidiary | Sales | 224,318 | 5.65 % | EM 75 | (Note 1) | (Note 2) | 86,474 | 6.42% | none |

Note 1: The selling prices with related parties are influenced by the economic environment and market competitiveness in each regions.

Note 2: The trade terms of sales with related parties are EOM 75 days, and the trade terms with third parties are OA 30~75 days.

Note 3: The intercompany transactions are disclosed only for the amounts of sales; the corresponding purchases are not disclosed.

(viii) Receivables from related parties which exceed \$100 million or 20% of the paid-in capital: None

(ix) Transactions in derivative instruments: Refer to note 6(b)

(x) Business relationships and significant intercompany transactions:

| Number (Note 1) | Company Name | Counter-party | Relationship | Transaction Details | | | Percentage of Consolidated Total Revenues or Total Assets (Note 3) |
|-----------------|--------------|---------------|--------------|---------------------|---------|-------------------|--------------------------------------------------------------------|
| | | | | Account (Note 2) | Amount | Transaction Terms | |
| 0 | The Company | Box UK | Subsidiary | Sales | 224,318 | EM 75 | 4.91% |
| 0 | The Company | Box UK | Subsidiary | Accounts receivable | 86,474 | EM 75 | 1.39% |

Note 1: Parties to intercompany transactions are identified and numbered as follows:

1. "0" represents the Company.

2. Subsidiaries are numbered from "1"

Note 2: Intercompany relationships and significant intercompany transactions are disclosed only for the amounts that exceed 1% of consolidated revenue or total assets. The corresponding purchases and accounts payables are not disclosed.

Note 3: Based on the transaction amount divided by consolidated revenue or total assets.

Note 4: The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

(b) Information on investees:

The following is the information on investees for the nine-month periods ended September 30,

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2022 (excluding information on investees in Mainland China):

(Amounts in Thousands of shares/ foreign currency and New Taiwan Dollars)

| Investor | Investee | Location | Main Businesses and Products | Original Investment Amount | | Balance as of September 30, 2022 | | | Net Income (Loss) of the Investee | Investment Income (Loss) (note 2) | Note (note 1) |
|----------------------|----------------------|------------------------|--------------------------------------------------------------------------------------------------------|----------------------------|-----------------------|----------------------------------|-------------------------|------------------------|-----------------------------------|-----------------------------------|---------------|
| | | | | September 30, 2022 | December 31, 2021 | Shares | Percentage of Ownership | Carrying value | | | |
| The Company | Flytech USA BVI | British Virgin Islands | Investment and holding activity | 38,652 | 38,652 | 100 | 100.00% | 18,381 | (245) | (245) | |
| The Company | Flytech HK BVI | British Virgin Islands | Investment and holding activity | 10,392 | 10,392 | 50 | 100.00% | 159,206 | 6,151 | 6,151 | |
| The Company | Flytech CN BVI | British Virgin Islands | Investment and holding activity | 90,601 | 90,601 | 200 | 100.00% | 140,087 | (679) | (679) | |
| The Company | Fei Shiun Investment | Taiwan | Investment and holding activity | 428,000 | 428,000 | 19,000 | 100.00% | 338,311 | (23,509) | (23,509) | |
| The Company | inefi Holding | British Cayman Islands | Investment and holding activity | 83,634 | - | 17 | 100.00% | 73,597 | (10,853) | (10,853) | |
| The Company | Box Holdings | United Kingdom | Investment and holding activity | 511,307 | 511,307 | 4 | 100.00% | 414,062 | 30,694 | 7,396 | |
| Flytech USA BVI | Flytech USA | USA | Sale of computers and peripherals | 36,358 (USD1,072) | 36,358 (USD1,072) | 700 | 100.00% | 17,283 (USD544) | (246) (USD8) | - | |
| Flytech HK BVI | Flytech HK | Hong Kong | Sale of computers and peripherals | 10,433 (USD298) | 10,433 (USD298) | 1,000 | 100.00% | 161,101 (USD5,071) | 6,151 (USD210) | - | |
| Fei Shiun Investment | iRUGGY System | Taiwan | Operating software design and data processing services, and integrating software and hardware services | 60,000 | 60,000 | 6,000 | 100.00% | 37,917 | 11,496 | - | |
| Fei Shiun Investment | Berry AI | Taiwan | Sale of computers and peripherals | 306,600 | 117,600 | 21,000 | 70.00% | 186,857 | (66,399) | - | |
| Fei Shiun Investment | TAC Dynamics | Taiwan | Operating software design and data processing services, and integrating software and hardware services | 18,000 | 18,000 | 163 | 35.00% | 3,202 | (10,207) | - | |
| Fei Shiun Investment | Poindus Systems | Taiwan | Sale of computers and peripherals | - | 308,070 | - | - | - | 6,550 | - | (Note 3) |
| Poindus Systems | Poindus Investment | Taiwan | Investment and holding activity | - | 4,100 | - | - | - | - | - | |
| Poindus Systems | Adasys | Germany | Sale of computers and peripherals | - | 57,712 (EUR 1,730) | - | - | - | (1,071) | - | |
| Poindus Systems | Poindus UK | United Kingdom | Sale of computers and peripherals | - | 14,297 (GBP 300) | - | - | - | (365) | - | |
| Poindus Investment | Poindus GmbH | Germany | Sale of computers and peripherals | - | 1,721 (EUR 40) | - | - | - | - | - | |
| Box Holdings | Box UK | United Kingdom | Sale of computers and peripherals | 472 (GBP 10) | 472 (GBP 10) | 10 | 100.00% | 297,290 (GBP 8,371) | 32,959 (GBP 896) | - | |
| Box Holdings | Box Nordic | Sweden | Sale of computers and peripherals | 2,330 (GBP 49) | 2,330 (GBP 49) | 5 | 100.00% | 3,731 (GBP 105) | (2,265) (GBP 62) | - | |
| inefi Holding | inefi Incorporation. | Taiwan | Operating software design and data processing services, and integrating software and hardware services | 80,000 (USD 3,000) | - | 8,000 | 100.00% | 69,947 (USD 2,202) | (10,053) (USD 338) | - | |
| Berry AI | Berry AI BVI | British Virgin Islands | Investment and holding activity | 30,000 | 30,000 | 50 | 100.00% | 27,094 | (6,118) | - | |
| Berry AI BVI | Berry AI USA | USA | Operating software design and data processing services, and integrating software and hardware services | 27,965 (USD 1,000) | 27,965 (USD 1,000) | 1,000 | 100.00% | 24,809 (USD 781) | (6,094) (USD 208) | - | |

Note 1: The intercompany transactions have been eliminated when preparing the consolidated financial statements.

Note 2: Included the movement in unrealized gross profit or loss.

Note 3: Poindus Systems was disposed in February 2022.

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(c) Information on investments in Mainland China:

(i) Information on investment in Mainland China

(Amounts in Thousands of New Taiwan Dollars and US Dollars)

| Investee | Main Businesses and Products | Total Amount of Paid-in Capital | Method of Investment | Accumulated Outflow of Investment from Taiwan as of January 1, 2022 | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of September 30, 2022 | Net Income (Loss) of Investee | % of Ownership of Direct and Indirect Investment | Investment Income (Loss) | Carrying Value as of September 30, 2022 | Accumulated Inward Remittance of Earnings as of September 30, 2022 |
|------------|-----------------------------------|---------------------------------|----------------------|---------------------------------------------------------------------|------------------|--------|------------------------------------------------------------------------|-------------------------------|--------------------------------------------------|--------------------------|-----------------------------------------|--------------------------------------------------------------------|
| | | | | | Outflow | Inflow | | | | | | |
| Flytech CN | Sale of computers and peripherals | 69,089 (USD 2,000) | (Note 1) | 69,089 (USD 2,000) | - | - | 69,089 (USD 2,000) | (739) (USD 25) | 100% | (739) (USD 25) | 124,587 (USD 3,922) | - |
| Qijie | Sale of computers and peripherals | 30,850 (USD 1,000) | (Note 2) | 35,888 (USD 1,200) | - | - | - | (2,459) | - % | (2,459) | - | - |

Note 1: Indirect investment in Mainland China through a holding company, Flytech CN BVI, established in a third country.

Note 2: (1) Flytech CN BVI reinvested the amount of USD 392 thousand it incurred from the liquidation of Flytech BJ, together with its own funds, and acquired 40% ownership of Qijie.

(2) In 2019, the Company acquired an additional 20% share ownership of Qijie through Flytech CN BVI.

(3) The 60% and 40% ownership of Flytech CN BVI and the third parties amounting to US\$ 600 thousand and US\$ 400 thousand, respectively, in Qijie were acquired by Poindus Systems in 2020, resulting in Poindus System to fully own Qijie.

(4) The subsidiary Fei Shiun Investment disposed of all the equity of Poindus Systems and lost control of Qijie Electronics in February 2022.

(ii) Limits on investment in Mainland China

(Amounts in Thousands of New Taiwan Dollars and US Dollars)

| Accumulated investment in Mainland China as of September 30, 2022 | Investment amount authorized by Ministry of Economic Affairs Investment Commission | Upper Limit on Investment |
|-------------------------------------------------------------------|------------------------------------------------------------------------------------|---------------------------|
| 90,767 (USD 2,700) | 103,107 (USD 3,100) | 2,891,458 |

(iii) Significant transactions with the investee in Mainland China: None

(iv) Major shareholders

| Shareholder's Name | Shareholding | Shares | Percentage |
|--------------------|--------------|------------|------------|
| Lam Tai Seng | | 16,423,263 | 11.47% |
| Wang Wei Wei | | 11,040,443 | 7.71% |

FLYTECH TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

14. The Group's operating segment information and reconciliation are as follows:

The Group's operating segment information and reconciliation are as follows:

For the three-month periods ended September 30,2022

| | <u>Domestic sale segment</u> | <u>European sale segment</u> | <u>Poindus Systems</u> | <u>Others</u> | <u>Adjustments and eliminations</u> | <u>Total</u> |
|----------------------------------|----------------------------------|----------------------------------|----------------------------|-----------------|-----------------------------------------|------------------|
| Revenues from external customers | \$ 1,192,602 | 173,163 | - | 47,296 | - | 1,413,061 |
| Intra-group revenue | <u>97,048</u> | <u>(3)</u> | <u>-</u> | <u>431</u> | <u>(97,476)</u> | <u>-</u> |
| Total segment revenue | <u>\$ 1,289,650</u> | <u>173,160</u> | <u>-</u> | <u>47,727</u> | <u>(97,476)</u> | <u>1,413,061</u> |
| Segment income before income tax | <u>\$ 371,420</u> | <u>7,048</u> | <u>-</u> | <u>(42,537)</u> | <u>29,245</u> | <u>365,176</u> |

For the three-month periods ended September 30,2021

| | <u>Domestic sale segment</u> | <u>European sale segment</u> | <u>Poindus Systems</u> | <u>Others</u> | <u>Adjustments and eliminations</u> | <u>Total</u> |
|----------------------------------|----------------------------------|----------------------------------|----------------------------|-----------------|-----------------------------------------|------------------|
| Revenues from external customers | \$ 934,315 | 202,453 | 255,669 | 41,202 | - | 1,433,639 |
| Intra-group revenue | <u>185,632</u> | <u>827</u> | <u>2,579</u> | <u>475</u> | <u>(189,513)</u> | <u>-</u> |
| Total segment revenue | <u>\$ 1,119,947</u> | <u>203,280</u> | <u>258,248</u> | <u>41,677</u> | <u>(189,513)</u> | <u>1,433,639</u> |
| Segment income before income tax | <u>\$ 242,963</u> | <u>11,075</u> | <u>28,930</u> | <u>(15,952)</u> | <u>(12,400)</u> | <u>254,616</u> |

For the nine-month periods ended September 30,2022

| | <u>Domestic sale segment</u> | <u>European sale segment</u> | <u>Poindus Systems</u> | <u>Others</u> | <u>Adjustments and eliminations</u> | <u>Total</u> |
|----------------------------------|----------------------------------|----------------------------------|----------------------------|-----------------|-----------------------------------------|------------------|
| Revenues from external customers | \$ 3,697,884 | 622,538 | 146,756 | 103,529 | - | 4,570,707 |
| Intra-group revenue | <u>270,602</u> | <u>229</u> | <u>713</u> | <u>581</u> | <u>(272,125)</u> | <u>-</u> |
| Total segment revenue | <u>\$ 3,968,486</u> | <u>622,767</u> | <u>147,469</u> | <u>104,110</u> | <u>(272,125)</u> | <u>4,570,707</u> |
| Segment income before income tax | <u>\$ 1,108,399</u> | <u>39,392</u> | <u>8,092</u> | <u>(83,229)</u> | <u>23,528</u> | <u>1,096,182</u> |

For the nine-month periods ended September 30,2021

| | <u>Domestic sale segment</u> | <u>European sale segment</u> | <u>Poindus Systems</u> | <u>Others</u> | <u>Adjustments and eliminations</u> | <u>Total</u> |
|----------------------------------|----------------------------------|----------------------------------|----------------------------|-----------------|-----------------------------------------|------------------|
| Revenues from external customers | \$ 2,134,276 | 531,441 | 713,479 | 143,301 | - | 3,522,497 |
| Intra-group revenue | <u>446,814</u> | <u>3,499</u> | <u>4,955</u> | <u>919</u> | <u>(456,187)</u> | <u>-</u> |
| Total segment revenue | <u>\$ 2,581,090</u> | <u>534,940</u> | <u>718,434</u> | <u>144,220</u> | <u>(456,187)</u> | <u>3,522,497</u> |
| Segment income before income tax | <u>\$ 524,729</u> | <u>28,210</u> | <u>56,593</u> | <u>(31,763)</u> | <u>(32,179)</u> | <u>545,590</u> |