

**ARCADYAN TECHNOLOGY CORPORATION AND  
SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Report  
For the Years Ended December 31, 2022 and 2021**

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

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## Representation Letter

The entities that are required to be included in the combined financial statements of ARCADYAN TECHNOLOGY CORPORATION as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, “Consolidated Financial Statements” endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, ARCADYAN TECHNOLOGY CORPORATION and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: ARCADYAN TECHNOLOGY CORPORATION  
Chairman: Jui-Tsung Chen (Ray Chen)  
Date: March 14, 2023



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## Independent Auditors' Report

To the Board of Directors of Arcadyan Technology Corporation:

### Opinion

We have audited the consolidated financial statements of Arcadyan Technology Corporation and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended December 31, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Arcadyan Technology Corporation and its subsidiaries as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended December 31, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Arcadyan Technology Corporation and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

#### 1. Inventory valuation

Please refer to Note (4)(h) and Note (5) for the accounting policy of inventory valuation, as well as the estimation and assumption uncertainly of the valuation of inventory, respectively. Information regarding the inventory is shown in Note (6)(f) of the consolidated financial statements.

#### Description of key audit matters:

Inventory is measured at the lower of cost and net realizable value. Arcadyan Technology Corporation and its subsidiaries is primarily engaged in the research, development, manufacture and sale of wireless networking products, integrated access devices, digital home multimedia appliances, mobile broadband products and wireless audio and video products. The significant change in supply and competitive market of demand may cause fluctuation in product price. Consequently, the book value of inventory may exceed its net realizable value. Therefore, the valuation of inventory is one of the key audit matters.

#### How the matter was addressed in our audit:

Our principal audit procedures included : assessing the rationality of Arcadyan Technology Corporation and its subsidiaries's accounting policies, such as the policy of provision for inventory loss due to price decline, obsolete, and slow moving inventories; inspecting Arcadyan Technology Corporation and its subsidiaries's inventory aging reports' accuracy and analyzing the changes of inventory aging which are in accordance with Arcadyan Technology Corporation and its subsidiaries's accounting policies; sampling and inspecting Arcadyan Technology Corporation and its subsidiaries's sales price, as well as verifying the calculation of the lower of cost or net realizable value; and assessing the disclosure of provision for inventory valuation and obsolescence was appropriate.

#### **Other Matter**

Arcadyan Technology Corporation has prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unqualified opinion.

#### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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 with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing Arcadyan Technology Corporation and its subsidiaries's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing Arcadyan Technology Corporation and its subsidiaries's financial reporting process.

#### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Arcadyan Technology Corporation and its subsidiaries's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Arcadyan Technology Corporation and its subsidiaries's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Arcadyan Technology Corporation and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within Arcadyan Technology Corporation and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

Taipei, Taiwan (Republic of China)  
March 14, 2023

#### **Notes to Readers**

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

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

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed In thousand dollars of TWD)

Assets		December 31, 2022		December 31, 2021		Liabilities and Equity		December 31, 2022		December 31, 2021	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note (6)(a))	\$ 7,579,551	19	7,970,779	24	2100	Short-term borrowings (note (6)(l))	\$ 4,386,582	11	4,363,580	13
1110	Current financial assets at fair value through profit or loss (note (6)(b))	187	-	19,713	-	2120	Current financial liabilities at fair value through profit or loss (note (6)(b))	30,795	-	1,589	-
1170	Notes and accounts receivable, net (notes (6)(e) and (v))	10,796,715	27	7,692,296	23	2126	Current financial liabilities for hedging (note (6)(d))	47,809	-	-	-
1200	Other receivables (including related parties) (notes (6)(e), (x) and (7))	276,728	1	98,994	-	2171	Accounts payable (including related parties) (note (7))	14,180,945	36	9,785,660	29
1310	Inventories, net (note (6)(f))	14,563,558	37	12,496,419	37	2200	Other payables	4,807,007	12	3,844,588	12
1410	Prepayments	210,685	-	163,493	-	2230	Current tax liabilities	769,119	2	315,279	1
1470	Other current assets	<u>116,328</u>	<u>-</u>	<u>91,238</u>	<u>-</u>	2250	Current provisions (note (6)(p))	609,995	2	1,018,471	3
		<u>33,543,752</u>	<u>84</u>	<u>28,532,932</u>	<u>84</u>	2280	Current lease liabilities (notes (6)(o) and (7))	91,055	-	86,426	-
<b>Non-current assets:</b>						2300	Other current liabilities (note (6)(m))	918,018	2	734,799	2
1550	Investments accounted for using equity method (note (6)(g))	305,101	1	324,178	1	2321	Bonds payable, current portion (note (6)(n))	-	-	<u>326,571</u>	<u>1</u>
1511	Non-current financial assets at fair value through profit or loss (note (6)(b))	46,379	-	37,475	-			<u>25,841,325</u>	<u>65</u>	<u>20,476,963</u>	<u>61</u>
1517	Non-current financial assets at fair value through other comprehensive income (note (6)(c))	46,150	-	26,169	-	<b>Non-Current liabilities:</b>					
1600	Property, plant and equipment (note (6)(i))	4,907,068	13	3,762,513	12	2570	Deferred tax liabilities (note (6)(r))	26,221	-	168,121	-
1755	Right-of-use assets (notes (6)(j) and (7))	492,809	1	586,307	2	2580	Non-current lease liabilities (notes (6)(o) and (7))	104,690	-	197,303	1
1780	Intangible assets (note (6)(k))	93,279	-	115,028	-	2640	Non-current net defined benefit liability (note (6)(q))	74,423	-	105,902	-
1840	Deferred tax assets (note (6)(r))	491,391	1	400,494	1	2670	Other non-current liabilities	<u>34,607</u>	<u>-</u>	<u>29,711</u>	<u>-</u>
1900	Other non-current assets	<u>94,598</u>	<u>-</u>	<u>116,017</u>	<u>-</u>			<u>239,941</u>	<u>-</u>	<u>501,037</u>	<u>1</u>
		<u>6,476,775</u>	<u>16</u>	<u>5,368,181</u>	<u>16</u>		<b>Total liabilities</b>	<u>26,081,266</u>	<u>65</u>	<u>20,978,000</u>	<u>62</u>
						<b>Equity attributable to owners of parent (notes (6)(n) and (s)):</b>					
						3110	Ordinary share	2,203,543	6	2,164,926	6
						3200	Capital surplus	4,091,729	10	4,032,400	12
						3300	Retained earnings	7,514,181	19	6,738,883	20
						3410	Exchange differences on translation of foreign financial statements	39,384	-	(243,747)	(1)
						3420	Unrealized gain or loss on financial assets at fair value through other comprehensive income	(3,350)	-	(23,331)	-
						3450	Gain(loss) on hedging instrument	(38,247)	-	-	-
						3491	Unearned employee benefit	-	-	(13,030)	-
								<u>13,807,240</u>	<u>35</u>	<u>12,656,101</u>	<u>37</u>
						3600	Non-controlling interests	<u>132,021</u>	<u>-</u>	<u>267,012</u>	<u>1</u>
							<b>Total equity</b>	<u>13,939,261</u>	<u>35</u>	<u>12,923,113</u>	<u>38</u>
<b>Total assets</b>		<u>\$ 40,020,527</u>	<u>100</u>	<u>33,901,113</u>	<u>100</u>	<b>Total liabilities and equity</b>		<u>\$ 40,020,527</u>	<u>100</u>	<u>33,901,113</u>	<u>100</u>

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

Consolidated Statement of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

		2022		2021	
		Amount	%	Amount	%
4000	<b>Operating revenues (notes (6)(d) and (v)):</b>	\$ 47,167,749	100	38,240,058	100
5000	<b>Operating costs (notes (6)(f), (q), (7) and (12))</b>	40,581,732	86	32,930,556	86
	<b>Gross profit from operating</b>	6,586,017	14	5,309,502	14
	<b>Operating expenses (notes (6)(q), (7) and (12)):</b>				
6100	Selling expenses	1,306,155	3	674,707	2
6200	Administrative expenses	569,689	1	496,221	1
6300	Research and development expenses	2,510,385	6	1,939,487	5
	<b>Total operating expenses</b>	4,386,229	10	3,110,415	8
	<b>Net operating income</b>	2,199,788	4	2,199,087	6
	<b>Non-operating income and expenses:</b>				
7100	Interest income	91,356	-	66,537	-
7020	Other income	15,535	-	55,986	-
7225	Gains on disposal of investments (note (6)(h))	2,568	-	-	-
7230	Foreign exchange gains(losses), net (note (6)(x))	391,251	1	(161,048)	-
7235	(Losses) gains on financial assets (liabilities) at fair value through profit or loss (notes (6)(b) and (d))	(108,903)	-	142,880	-
7370	Share of profit (loss) of associates and joint ventures accounted for using equity method (note (6)(g))	(11,535)	-	6,685	-
7510	Interest expense (notes (6)(n), (o) and (7))	(113,877)	-	(37,347)	-
	<b>Total non-operating income and expenses</b>	266,395	1	73,693	-
	<b>Income before tax</b>	2,466,183	5	2,272,780	6
7950	Less: Income tax expenses (note (6)(r))	551,130	1	570,980	2
	<b>Net income</b>	1,915,053	4	1,701,800	4
8300	<b>Other comprehensive income:</b>				
8310	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>				
8311	Gains (losses) on remeasurements of defined benefit plans (note (6)(q))	28,873	-	(8,980)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note (6)(c))	19,981	-	(4,966)	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(r))	5,775	-	(1,796)	-
	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>	43,079	-	(12,150)	-
8360	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	276,514	1	(84,315)	-
8368	Gains (losses) on hedging instrument (note (6)(d))	(47,809)	-	2,192	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss (note (6)(g))	79	-	(219)	-
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note (6)(r))	(12,118)	-	(17,270)	-
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>	240,902	1	(65,072)	-
8300	<b>Other comprehensive income</b>	283,981	1	(77,222)	-
	<b>Total comprehensive income</b>	\$ 2,199,034	5	1,624,578	4
	<b>Net income, attributable to:</b>				
	Owners of parent	\$ 2,013,156	4	1,787,544	4
8620	Non-controlling interests	(98,103)	-	(85,744)	-
		1,915,053	4	1,701,800	4
	<b>Comprehensive income attributable to:</b>				
	Owners of parent	\$ 2,301,119	5	1,710,201	4
	Non-controlling interests	(102,085)	-	(85,623)	-
		\$ 2,199,034	5	1,624,578	4
	<b>Earnings per share (note (6)(u))</b>				
9750	Basic earnings per share	\$ 9.20		8.60	
9850	Diluted earnings per share	\$ 8.98		8.06	

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

Consolidated Statement of Changes in Equity  
For the years ended December 31, 2022 and 2021  
(Expressed in thousand dollars of TWD)

	Equity attributable to owners of parent												Non-controlling interests	Total equity
	Retained earnings						Total other equity interest							
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Unearned employee benefit	Total other equity interest	Total equity attributable to owners of parent		
<b>Balance at January 1, 2021</b>	\$ 2,084,095	3,661,594	981,894	95,172	5,029,131	6,106,197	(176,362)	(18,365)	(2,192)	(45,606)	(242,525)	11,609,361	352,635	11,961,996
Net income for the year ended December 31, 2021	-	-	-	-	1,787,544	1,787,544	-	-	-	-	-	1,787,544	(85,744)	1,701,800
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	(7,184)	(7,184)	(67,385)	(4,966)	2,192	-	(70,159)	(77,343)	121	(77,222)
Comprehensive income for the year ended December 31, 2021	-	-	-	-	1,780,360	1,780,360	(67,385)	(4,966)	2,192	-	(70,159)	1,710,201	(85,623)	1,624,578
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	170,897	-	(170,897)	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	101,747	(101,747)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,146,071)	(1,146,071)	-	-	-	-	-	(1,146,071)	-	(1,146,071)
Cash dividends from capital surplus	-	(208,377)	-	-	-	-	-	-	-	-	-	(208,377)	-	(208,377)
Convertible bonds converted into ordinary shares	81,363	584,253	-	-	-	-	-	-	-	-	-	665,616	-	665,616
Changes in equity of associates and subsidiaries accounted for using equity method	-	(5,602)	-	-	(1,603)	(1,603)	-	-	-	-	-	(7,205)	-	(7,205)
Share-based payment transactions	(532)	532	-	-	-	-	-	-	-	32,576	32,576	32,576	-	32,576
<b>Balance at December 31, 2021</b>	2,164,926	4,032,400	1,152,791	196,919	5,389,173	6,738,883	(243,747)	(23,331)	-	(13,030)	(280,108)	12,656,101	267,012	12,923,113
Net income for the year ended December 31, 2022	-	-	-	-	2,013,156	2,013,156	-	-	-	-	-	2,013,156	(98,103)	1,915,053
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	23,098	23,098	283,131	19,981	(38,247)	-	264,865	287,963	(3,982)	283,981
Comprehensive income for the year ended December 31, 2022	-	-	-	-	2,036,254	2,036,254	283,131	19,981	(38,247)	-	264,865	2,301,119	(102,085)	2,199,034
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	177,876	-	(177,876)	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	70,159	(70,159)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,260,956)	(1,260,956)	-	-	-	-	-	(1,260,956)	-	(1,260,956)
Cash dividends from capital surplus	-	(217,406)	-	-	-	-	-	-	-	-	-	(217,406)	-	(217,406)
Convertible bonds converted into ordinary shares	38,920	281,014	-	-	-	-	-	-	-	-	-	319,934	-	319,934
Changes in equity of associates and subsidiaries accounted for using equity method	-	6,052	-	-	-	-	-	-	-	-	-	6,052	-	6,052
Share-based payment transactions	(303)	(10,331)	-	-	-	-	-	-	-	13,030	13,030	2,396	-	2,396
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(32,906)	(32,906)
<b>Balance at December 31, 2022</b>	\$ 2,203,543	4,091,729	1,330,667	267,078	5,916,436	7,514,181	39,384	(3,350)	(38,247)	-	(2,213)	13,807,240	132,021	13,939,261

See accompanying notes to consolidated financial statements.

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

Consolidated Statement of Cash Flows  
For the years ended December 31, 2022 and 2021  
(Expressed in thousand dollars of TWD)

	2022	2021
<b>Cash flows from (used in) operating activities:</b>		
Income before tax	\$ 2,466,183	2,272,780
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	687,133	532,016
Amortization expense	47,043	35,806
Expected credit losses	16,971	1,279
Interest expense	113,877	37,347
Interest income	(91,356)	(66,537)
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(8,904)	5,365
Share-based payment transactions	2,396	32,576
Share of loss (profit) of associates and joint ventures accounted for using equity method	11,535	(6,685)
Losses (gains) on disposal of property, plant, equipment and intangible assets	6,282	(7,804)
Lease modification benefits	(3,046)	-
Others	(966)	(110)
<b>Total adjustments to reconcile profit (loss)</b>	<b>780,965</b>	<b>563,253</b>
<b>Changes in operating assets and liabilities:</b>		
Changes in financial assets or liabilities at fair value through profit or loss	48,732	200,202
Increase in notes and accounts receivable	(3,120,865)	(781,153)
(Increase) decrease in other receivables (including related parties)	(172,317)	68,715
Increase in inventories	(2,067,139)	(4,469,823)
Increase in prepayments	(47,192)	(18,305)
Increase in other current assets	(25,090)	(7,686)
Increase (decrease) in accounts payable (including related parties)	4,395,285	(548,946)
Increase in other payables and other current liabilities	656,086	1,805,149
Decrease in other operating liabilities	(2,606)	(2,197)
<b>Total changes in operating assets and liabilities</b>	<b>(335,106)</b>	<b>(3,754,044)</b>
<b>Total adjustments</b>	<b>445,859</b>	<b>(3,190,791)</b>
Cash inflow (outflow) generated from operations	2,912,042	(918,011)
Interest received	85,242	59,722
Dividends received	13,673	13,673
Interest paid	(94,641)	(23,303)
Income taxes paid	(387,266)	(656,345)
<b>Net cash flows from (used in) operating activities</b>	<b>2,529,050</b>	<b>(1,524,264)</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of property, plant and equipment	(1,510,457)	(1,727,160)
Proceeds from disposal of property, plant and equipment	56,662	39,960
Proceeds from disposal of right-of-use assets	40,541	-
Decrease (increase) in refundable deposits	22,733	(26,913)
Acquisition of intangible assets	(25,272)	(75,542)
(Increase) decrease in other non-current assets	(95)	18
<b>Net cash flows used in investing activities</b>	<b>(1,415,888)</b>	<b>(1,789,637)</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term borrowings	23,002	3,655,785
Repayments of bonds	(7,400)	-
Repayment of lease principal	(86,559)	(88,702)
Cash dividends paid	(1,478,345)	(1,354,449)
Changes in non-controlling interests	(32,906)	-
Other financing activities	4,785	27,570
<b>Net cash flows from (used in) financing activities</b>	<b>(1,577,423)</b>	<b>2,240,204</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>73,033</b>	<b>(35,292)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(391,228)</b>	<b>(1,108,989)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>7,970,779</b>	<b>9,079,768</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 7,579,551</b>	<b>7,970,779</b>

See accompanying notes to consolidated financial statements.

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

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2022 and 2021**

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

**(1) Company history**

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

The consolidated financial statements of the Company as of December 31, 2022 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Company’s interest in associates. The Company is primarily engaged in the research, development, manufacture and sale of wireless networking products, integrated access devices, digital home multimedia appliances, mobile broadband products and wireless audio and video products. Please refer to note (4)(c) for related information of the Group primary business activities.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 14, 2023.

**(3) New standards, amendments and interpretations adopted:**

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

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

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

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

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

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

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance.</p> <p>The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.</p>	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	<p>After reconsidering certain aspects of the 2020 amendments<sup>1</sup>, new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current.</p> <p>Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.</p>	January 1, 2024

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

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions”

**(4) Summary of significant accounting policies:**

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These 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 Regulations” ) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C.

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) Hedging financial instruments are measured at fair value;
- 4) The defined benefit liabilities (assets) are measured at fair value of plan assets less the present value of the defined benefit , and effect of the assets ceiling as explained in note (4)(p).

(ii) Functional and presentation currencies

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar (TWD), which is the Company’s functional currency. All financial information presented in TWD has been rounded to the nearest thousand.

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

<u>Investor</u>	<u>Name of Subsidiary</u>	<u>Nature of operation</u>	<u>Percentage ownership</u>		<u>Description</u>
			<u>December 31, 2022</u>	<u>December 31, 2021</u>	
The Company	Arcadyan Technology N.A. Corp. (“Arcadyan USA”)	Selling and technical support of wireless networking products	100 %	100 %	
”	Arcadyan Germany Technology GmbH (“Arcadyan Germany”)	Selling and technical support of wireless networking products	100 %	100 %	
”	Arcadyan Technology Corporation Korea (“Arcadyan Korea”)	Selling of wireless networking products	100 %	100 %	
”	Arcadyan Holding (BVI) Corp. (“Arcadyan Holding”)	Investment activities	100 %	100 %	
The Company and ZHI-BAO	Arcadyan do Brasil Ltda. (“Arcadyan Brasil”)	Selling of wireless networking products	100 %	100 %	
”	Arcadyan India Private Limited (“Arcadyan India”)	Selling of wireless networking products	100 %	100 %	Note 1

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Investor	Name of Subsidiary	Nature of operation	Percentage ownership		Description
			December 31, 2022	December 31, 2021	
The Company	ZHI-BAO Technology Inc. (“ZHI-BAO”)	Investment activities	100 %	100 %	
”	Tatung Technology Inc. (“TTI”)	Research and development, and selling digital home appliance	61 %	61 %	
”	AcBel Telecom Inc. (“AcBel Telecom”)	Investment activities	- %	51 %	Note 2
”	Arcadyan Technology Limited (“Arcadyan UK”)	Technical support of wireless networking products	100 %	100 %	
”	Arcadyan Technology Australia Pty Ltd (“Arcadyan AU”)	Selling of wireless networking products	100 %	100 %	
”	Arcadyan Technology Corporation (Russia), LLC (“Arcadyan RU”)	Selling of wireless networking products	100 %	100 %	
Arcadyan Holding	Sinoprime Global Inc. (“Sinoprime”)	Investment activities	100 %	100 %	
”	Arcadyan Technology (Shanghai) Corp. (“SVA”)	Research and development, and selling of wireless networking products	100 %	100 %	
”	Arch Holding (BVI) Corp. (“Arch Holding”)	Investment activities	100 %	100 %	
Arch Holding	Compal Networking (Kunshan) Co., Ltd. (“CNC”)	Manufacturing of wireless networking products	100 %	100 %	
Sinoprime	Arcadyan Technology (Vietnam) Co., Ltd. (“Arcadyan Vietnam”)	Manufacturing of wireless networking products	100 %	100 %	
TTI	Quest International Group Co., Ltd. (“Quest”)	Investment activities	100 %	100 %	
TTI	Tatung Technology of Japan Co., Ltd. (“TTJC”)	Selling of digital home appliance	100 %	100 %	
Quest	Exquisite Electronic Co., Ltd. (“Exquisite”)	Investment activities	100 %	100 %	
Exquisite	Tatung Home Appliances (Wujiang) Co., Ltd. (“TCH”)	Manufacturing of digital home appliance	100 %	100 %	

Note 1: The subsidiary was incorporated on March 25, 2021.

Note 2: The liquidation procedures of the subsidiary had been completed on August 19, 2022.

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the Group at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future. Exchange difference arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income.

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) It holds the asset primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting period; or
- (iv) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It holds the liability primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits and repurchase agreements which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI )

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Some accounts receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Group, therefore, those receivables are measured at FVOCI. However, they are included in the "trade receivables" line item.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, guarantee deposit paid and other financial assets).

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade which is considered to be BBB- or higher per Standard & Poor’s, Baa3 or higher per Moody’s or tWA or higher per Taiwan Ratings’.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the borrower is unlikely to pay its credit obligations to the Group in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;  
or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

5) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

The Group designates its hedging instruments, including derivatives, embedded derivatives, and nonderivative instruments for a hedge of a foreign currency risk, as a fair value hedge, cash flow hedge, or hedge of a net investment in a foreign operation. Foreign exchange risks of firm commitments are treated as fair value hedges.

At initial designated hedging relationships, the Group documents the risk management objectives and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged items and hedging instrument are expected to offset each other.

1) Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under 'other equity—gains (losses) on hedging instruments', limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. Furthermore, if the Company expects that some or all of the loss accumulated in other equity will not be recovered in the future, that amount is immediately reclassified to profit or loss.

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. The discontinuation is accounted for prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in other equity remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in other equity are immediately reclassified to profit or loss.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted-average-cost principle and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. However, if the actual operating capacity is not significantly different from the normal operating capacity, it will be apportioned according to the actual operating capacity, and the variable manufacturing overhead will be apportioned based on the actual operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less, the estimated costs of completion and selling expenses.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less, any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows:

- 1) Buildings: 50 years
- 2) Machinery and equipment: 3~10 years
- 3) Research equipment: 3~6 years
- 4) Mold equipment: 2~3 years
- 5) Other equipment: 1~10 years

The main components of property, plant and equipment are factory buildings and firefighting facilities. Each component is depreciated based on its useful life.

Depreciation methods, useful lives, and residual values are reviewed at each annual reporting date. If expectations differ from the previous estimates, the change(s) is accounted for as a change in an accounting estimate.

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(k) Lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- 1) fixed payments, including in substance fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) amounts expected to be payable under a residual value guarantee; and
- 4) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- 4) there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- 5) there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of factory facilities and vehicles that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

From January 1, 2021, when the basis for determining future lease payments changes as required by interest rate benchmark reform, the Group will remeasure the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

As a practical expedient, the Group elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and
- there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

(l) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The estimated useful lives for current and comparative periods are as follows:

- 1) Copyright: 10 years
- 2) Authorization fee: amortized over the contract period by using the straight-line method.
- 3) Computer software: 1~10 years

Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(m) Impairment – non- financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill is tested annually for impairment. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. The Group will adjust the carrying amount of an asset or CGU to recoverable amount if the carrying amount of an asset or CGU exceeds its recoverable amount, and recognize impairment loss. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical experience of provision expenses as percentage of sales.

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(o) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

(i) Sale of goods

The Group manufactures and sells broadband network products, wireless network products, digital home appliance and mobility products. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(ii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

Grant date of a share-based payment award is the date which the Board of Directors authorized the price and approved employees can subscribe for shares.

(r) Income Taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations, or those recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(s) Business combination

The Group accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Group recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

For each business combination, the Group measures any non controlling interests in the acquiree either at fair value or at the non controlling interest's proportionate share of the acquiree's identifiable net assets, if the non controlling interests are present ownership interests and entitle their holders to a proportionate share of the Group's net assets in the event of liquidation. Other components of non controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value, and recognizes the resulting gain or loss, if any, in profit or loss. In prior reporting periods, the Group may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income will be recognized on the same basis as would be required if the Group had disposed directly of the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount will be reclassified to profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts for the items for which the accounting is incomplete are reported in the Group's financial statements. During the measurement period, the provisional amounts recognized at the acquisition date are retrospectively adjusted, or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period will not exceed one year from the acquisition date.

(t) Earnings per share

The Group discloses the basic and diluted earnings per share attributable to ordinary shareholders of the Group. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Group divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds, employee compensation which could be issued in the form of common stock not yet approved by the Board of Directors, and employee restricted shares.

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

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

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

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

There are no critical judgments in applying the accounting policies that have significant effects on the amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic is as follows:

(a) Inventory valuation

As inventories are supposed to be measured based on the lower of cost or net realizable value, which is based on the estimated sales price; therefore, the value of inventories may vary due to the nature of the industry and market fluctuation. Please refer to note (6)(f) of the consolidated financial statement for inventory valuation.

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Cash on hand	\$ 2,738	2,194
Checking accounts and demand deposits	2,522,308	3,292,553
Time deposits	3,804,505	4,676,032
Repurchase agreements	1,250,000	-
	<u>\$ 7,579,551</u>	<u>7,970,779</u>

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

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Current financial assets mandatorily measured at fair value through profit or loss:</b>		
Derivative instruments not used for hedging:		
Foreign exchange forward contracts	\$ 187	17,264
Foreign exchange swaps contracts	-	2,449
Total	<b>\$ 187</b>	<b>19,713</b>
<b>Non-current financial assets mandatorily measured at fair value through profit or loss:</b>		
Non-derivative financial assets:		
Fund unlisted on domestic or foreign markets	<b>\$ 46,379</b>	<b>37,475</b>
<b>Held-for-trading financial liabilities:</b>		
Derivative instruments not used for hedging:		
Foreign exchange forward contracts	<b>\$ 30,795</b>	<b>1,589</b>

The Group uses derivative financial instruments to hedge the certain foreign exchange risk the Group is exposed to, arising from its operating activities. For the years ended December 31, 2022 and 2021, the derivative instruments, without the application of hedge accounting, classified as financial assets mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities were as follows:

	<b>December 31, 2022</b>		
	<b>Contract amount (in thousands)</b>	<b>Currency</b>	<b>Maturity date</b>
<b>Derivative financial assets:</b>			
<b>Forward contracts:</b>			
Foreign exchange forward	EUR 8,000	Sell EUR / USD	May 12, 2023~ June 14, 2023
Foreign exchange forward	USD 512	Buy USD / INR	January 31, 2023
<b>Derivative financial liabilities:</b>			
<b>Forward contracts:</b>			
Foreign exchange forward	EUR 20,000	Sell EUR / USD	January 31, 2023~ April 14, 2023
Foreign exchange forward	EUR 2,000	Sell EUR / TWD	January 31, 2023

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	December 31, 2021		
	Contract amount (in thousands)	Currency	Maturity date
<b>Derivative financial assets:</b>			
<b>Forward contracts:</b>			
Foreign exchange forward	EUR 17,000	Sell EUR / USD	January 14, 2022~ March 14, 2022
<b>Swap contracts:</b>			
Foreign exchange swaps	USD 20,000	B/S USD / TWD	February 14, 2022~ March 14, 2022
<b>Derivative financial liabilities:</b>			
<b>Forward contracts:</b>			
Foreign exchange forward	USD 5,000	Buy USD / CNH	January 26, 2022
Foreign exchange forward	EUR 7,000	Sell EUR / USD	February 18, 2022~ March 4, 2022

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

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

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

	December 31, 2022	December 31, 2021
<b>Equity investments at fair value through other comprehensive income:</b>		
Stock unlisted on domestic markets	\$ <u>46,150</u>	<u>26,169</u>

- (i) For the years ended December 31, 2022 and 2021, unrealized gains (losses) from above-mentioned equity investments measured at fair value were \$19,981 and \$(4,966), respectively, recognized under other comprehensive income.
- (ii) There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments for the years ended December 31, 2022 and 2021.
- (iii) Please refer to note (6)(x) for information of market risk.
- (iv) The Group did not provide any aforementioned financial assets as collaterals.

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(d) Financial assets and liabilities used for hedging

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Cash flow hedge:</b>		
Financial liabilities used for hedging:		
Foreign exchange forward contracts	\$ <u>47,809</u>	<u>-</u>
(ii) Cash flow hedge—foreign exchange risk		

The strategy of the Group is to enter into foreign exchange forward contracts to hedge its foreign currency exposure risk in relation to the forecast sales.

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

	<b>December 31, 2022</b>		
	<b>Contract amount (in thousands)</b>	<b>Currency</b>	<b>Maturity date</b>
<b>Derivative financial liabilities used for hedging</b>			<b>Average strike price</b>
<b>Forward contracts:</b>			
Foreign exchange forward	EUR 65,000	Sell EUR / USD	January 30, 2023~ December 28, 2023
			1.0472

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

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

	<b>2022</b>	<b>2021</b>
<b>Cash flow hedge:</b>		
Profit in current period	\$ 82,853	43,006
Less: Profit of adjustments on reclassification from components of other comprehensive income which belongs to net income	<u>130,662</u>	<u>40,814</u>
Net gains(losses) recognized in other comprehensive income	<u>\$ (47,809)</u>	<u>2,192</u>

(iv) For the years ended December 31, 2022 and 2021, the ineffective portion of cash flow hedge recognized in profit were amounted to \$44,071 and \$0, respectively, were recorded under the “Gains (losses) on financial assets (liabilities) at fair value through profit or loss”.

(v) For the years ended December 31, 2022 and 2021, profit or loss of adjustments from reclassification of other equity, deriving from the changes of fair value for hedge instruments, were recognized under operating revenues in statement of comprehensive income.

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (e) Notes and accounts receivable

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Notes receivable from operating activities	\$ 4,992	10,305
Accounts receivable – measured at amortized cost	10,836,321	7,411,501
Accounts receivable – fair value through other comprehensive income	-	298,642
	10,841,313	7,720,448
Less: allowance for uncollectible accounts	(44,598)	(28,152)
	<b>\$ 10,796,715</b>	<b>7,692,296</b>

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

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

<b>December 31, 2022</b>				
<b>Credit rating</b>	<b>Gross carrying amount</b>	<b>Weighted-average ECL rate</b>	<b>Lifetime ECLs</b>	<b>Credit impaired</b>
Level A	\$ 2,524,744	0%	-	No
Level B	6,876,702	0.10%	6,923	No
Level C	1,419,845	1.00%	17,653	No
Level D	-		-	-
Level E	20,022	100%	20,022	Yes
Total	<b>\$ 10,841,313</b>		<b>44,598</b>	
<b>December 31, 2021</b>				
<b>Credit rating</b>	<b>Gross carrying amount</b>	<b>Weighted-average ECL rate</b>	<b>Lifetime ECLs</b>	<b>Credit impaired</b>
Level A	\$ 2,142,077	0%	-	No
Level B	5,042,739	0.10%	4,913	No
Level C	517,585	1.00%	5,192	No
Level D	-		-	-
Level E	18,047	100%	18,047	Yes
Total	<b>\$ 7,720,448</b>		<b>28,152</b>	

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Overdue 1~30 days	\$ 1,071,407	485,866
Overdue 31~60 days	163,112	133,034
Overdue 61~90 days	129,856	21,897
Overdue 91~180 days	71,332	12,376
Overdue over 181 days	28,574	25,726
	<b><u>\$ 1,464,281</u></b>	<b><u>678,899</u></b>

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

	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 28,152	26,831
Impairment loss recognized	16,446	1,321
Balance at December 31	<b><u>\$ 44,598</u></b>	<b><u>28,152</u></b>

As of December 31, 2022 and 2021, the Group did not provide any aforementioned notes and accounts receivable as collaterals.

The Group entered into accounts receivable factoring agreements with banks. Based on the agreements, the Group is not responsible for guaranteeing the ability of the accounts receivable of the obligor to make payment when it is affected by credit risk. Thus, this is deemed as a non-recourse accounts receivable factoring. After the transfer of the accounts receivable, the Group can request for the partial advances stipulated in the agreements, while the interest calculated at an agreed rate is paid to the bank for the period during the time of receiving advances and the accounts receivable is collected. The remaining amounts without advance are received when the accounts receivable are paid by the customers.

For the year ended December 31, 2022, the Group has not transferred accounts receivable. As of December 31, 2021, there were unreceived balances of transferred accounts receivable amounted to \$958, which were recognized under other receivables. The details of the derecognized account receivables were as follows:

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

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(f) Inventories

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Raw materials	\$ 2,693,315	6,150,112
Work in progress	456,966	660,661
Finished goods	<u>11,413,277</u>	<u>5,685,646</u>
	<b><u>\$ 14,563,558</u></b>	<b><u>12,496,419</u></b>

(ii) Inventory cost recognized as operating costs for the years ended December 31, 2022 and 2021 were as follows:

	<b>2022</b>	<b>2021</b>
Cost of sales and expenses	\$ 39,750,967	32,892,633
Provision for inventory valuation and obsolescence loss	<u>830,765</u>	<u>37,923</u>
	<b><u>\$ 40,581,732</u></b>	<b><u>32,930,556</u></b>

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

(g) Investments accounted for using equity method

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Associates	<b><u>\$ 305,101</u></b>	<b><u>324,178</u></b>

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Aggregate carrying amount of the Group's associates that are individually insignificant	<b><u>\$ 305,101</u></b>	<b><u>324,178</u></b>

Share of associates attributed to the Group were as follows:

	<b>2022</b>	<b>2021</b>
Net (loss) income from continuing operations	\$ (11,535)	6,685
Other comprehensive income (loss)	<u>79</u>	<u>(219)</u>
Total comprehensive income (loss)	<b><u>\$ (11,456)</u></b>	<b><u>6,466</u></b>

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

(h) Loss control of subsidiaries

AcBel Telecom had completed its liquidation process in August 2022, wherein the Group received the liquidation dividends of \$34,354. Since the completion of liquidation, AcBel Telecom was not comprised in the consolidated financial statements anymore.

The Group derecognized the assets, liabilities and the related equity components of AcBel Telecom, but recognized gains on disposal of \$2,568 and recorded under Gains on disposal of investments.

The carrying amount of assets and liabilities of AcBel Telecom on the date of disposal were as follow:

Other current assets	\$ 67,262
Other current liabilities	-
Carrying amount of net assets	\$ 67,262

(i) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group for the years ended December 31, 2022 and 2021 were as follows:

		Land	Buildings and construction	Machinery and equipment	Research and development equipment	Mold equipment	Leasehold improvement and other equipment	Construction in progress and prepayment for purchase of equipment	Total
<b>Cost:</b>									
Balance at January 1, 2022	\$	878,978	1,512,417	2,484,758	697,267	222,181	462,135	19,129	6,276,865
Additions		-	6,237	678,969	98,324	26,872	54,985	707,917	1,573,304
Reclassifications		-	16,306	24,545	2,560	-	7,058	(50,860)	(391)
Disposals and derecognitions		-	-	(117,909)	(86,320)	(7,037)	(46,192)	-	(257,458)
Effect of movements in exchange rates		-	75,590	269,294	4,934	1,419	18,378	20,627	390,242
Balance at December 31, 2022	\$	<b>878,978</b>	<b>1,610,550</b>	<b>3,339,657</b>	<b>716,765</b>	<b>243,435</b>	<b>496,364</b>	<b>696,813</b>	<b>7,982,562</b>
Balance at January 1, 2021	\$	463,262	828,128	2,196,610	587,071	212,438	723,336	28,249	5,039,094
Additions		415,716	497,612	602,969	106,256	23,918	47,571	35,231	1,729,273
Reclassifications		-	194,810	6,068	33,364	(2,366)	(190,048)	(44,194)	(2,366)
Disposals and derecognitions		-	-	(281,698)	(27,753)	(11,493)	(110,943)	-	(431,887)
Effect of movements in exchange rates		-	(8,133)	(39,191)	(1,671)	(316)	(7,781)	(157)	(57,249)
Balance at December 31, 2021	\$	<b>878,978</b>	<b>1,512,417</b>	<b>2,484,758</b>	<b>697,267</b>	<b>222,181</b>	<b>462,135</b>	<b>19,129</b>	<b>6,276,865</b>
<b>Depreciation:</b>									
Balance at January 1, 2022	\$	-	117,853	1,508,894	419,902	182,781	284,922	-	2,514,352
Depreciation		-	46,490	397,563	68,093	20,925	54,093	-	587,164
Reclassifications		-	-	-	-	-	(130)	-	(130)
Disposals and derecognitions		-	-	(101,670)	(50,808)	(7,037)	(34,999)	-	(194,514)
Effect of movements in exchange rates		-	1,164	154,360	1,879	564	10,655	-	168,622
Balance at December 31, 2022	\$	-	<b>165,507</b>	<b>1,959,147</b>	<b>439,066</b>	<b>197,233</b>	<b>314,541</b>	-	<b>3,075,494</b>

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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	<u>Land</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Research and development equipment</u>	<u>Mold equipment</u>	<u>Leasehold improvement and other equipment</u>	<u>Construction in progress and prepayment for purchase of equipment</u>	<u>Total</u>
Balance at January 1, 2021	\$ -	98,676	1,562,332	383,779	176,630	299,668	-	2,521,085
Depreciation	-	19,204	240,537	62,869	17,738	72,503	-	412,851
Reclassifications	-	-	-	-	-	-	-	-
Disposals and derecognitions	-	-	(276,848)	(26,117)	(11,491)	(85,275)	-	(399,731)
Effect of movements in exchange rates	-	(27)	(17,127)	(629)	(96)	(1,974)	-	(19,853)
Balance at December 31, 2021	<u>\$ -</u>	<u>117,853</u>	<u>1,508,894</u>	<u>419,902</u>	<u>182,781</u>	<u>284,922</u>	<u>-</u>	<u>2,514,352</u>
<b>Carrying amounts:</b>								
Balance at December 31, 2022	<u>\$ 878,978</u>	<u>1,445,043</u>	<u>1,380,510</u>	<u>277,699</u>	<u>46,202</u>	<u>181,823</u>	<u>696,813</u>	<u>4,907,068</u>
Balance at December 31, 2021	<u>\$ 878,978</u>	<u>1,394,564</u>	<u>975,864</u>	<u>277,365</u>	<u>39,400</u>	<u>177,213</u>	<u>19,129</u>	<u>3,762,513</u>
Balance at January 1, 2021	<u>\$ 463,262</u>	<u>729,452</u>	<u>634,278</u>	<u>203,292</u>	<u>35,808</u>	<u>423,668</u>	<u>28,249</u>	<u>2,518,009</u>

(i) In response to the demand of business operation, the Group decided to purchase land by a resolution of the Board of Directors on March 17, 2021. In addition, the Group has signed the land purchase agreement amounting to \$415,480 with non-related parties on April 7, 2021. The procedures of ownership-transfer has been completed and the relevant amount had been fully paid in the second quarter of 2021.

(ii) As of December 31, 2022 and 2021, the Group did not provide any property, plant and equipment as collaterals.

(j) Right-of-use assets

The Group leases land, buildings, machinery equipment and vehicles, recognizing as right-of-use assets. The cost and depreciation of the right-of-use assets of the Group for the years ended December 31, 2022 and 2021 were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery Equipment</u>	<u>Vehicles and other</u>	<u>Total</u>
Cost:					
Balance at January 1, 2022	\$ 297,707	360,109	81,081	16,530	755,427
Additions	-	22,203	-	13,269	35,472
Disposal/write-off	-	(66,401)	(81,081)	(3,777)	(151,259)
Effect of movements in exchange rates	<u>32,589</u>	<u>29,190</u>	<u>-</u>	<u>105</u>	<u>61,884</u>
Balance at December 31, 2022	<u>\$ 330,296</u>	<u>345,101</u>	<u>-</u>	<u>26,127</u>	<u>701,524</u>
Balance at January 1, 2021	\$ 306,311	423,832	81,081	10,648	821,872
Additions	-	44,061	-	10,637	54,698
Disposal/write-off	-	(100,353)	-	(4,755)	(105,108)
Effect of movements in exchange rates	<u>(8,604)</u>	<u>(7,431)</u>	<u>-</u>	<u>-</u>	<u>(16,035)</u>
Balance at December 31, 2021	<u>\$ 297,707</u>	<u>360,109</u>	<u>81,081</u>	<u>16,530</u>	<u>755,427</u>

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	<u>Land</u>	<u>Buildings</u>	<u>Machinery Equipment</u>	<u>Vehicles and other</u>	<u>Total</u>
Depreciation:					
Balance at January 1, 2022	\$ 11,973	108,727	41,891	6,529	169,120
Depreciation	7,032	83,758	-	9,179	99,969
Disposal/Write-off	-	(27,066)	(41,891)	(3,777)	(72,734)
Effect of movements in exchange rates	1,524	10,796	-	40	12,360
Balance at December 31, 2022	<u>\$ 20,529</u>	<u>176,215</u>	<u>-</u>	<u>11,971</u>	<u>208,715</u>
Balance at January 1, 2021	\$ 5,600	60,568	25,675	6,605	98,448
Depreciation	6,608	91,662	16,216	4,679	119,165
Disposal/write-off	-	(42,135)	-	(4,755)	(46,890)
Effect of movements in exchange rates	(235)	(1,368)	-	-	(1,603)
Balance at December 31, 2021	<u>\$ 11,973</u>	<u>108,727</u>	<u>41,891</u>	<u>6,529</u>	<u>169,120</u>
Carrying amount:					
Balance on December 31, 2022	<u>\$ 309,767</u>	<u>168,886</u>	<u>-</u>	<u>14,156</u>	<u>492,809</u>
Balance at December 31, 2021	<u>\$ 285,734</u>	<u>251,382</u>	<u>39,190</u>	<u>10,001</u>	<u>586,307</u>
Balance at January 1, 2021	<u>\$ 300,711</u>	<u>363,264</u>	<u>55,406</u>	<u>4,043</u>	<u>723,424</u>

(k) Intangible Assets

The cost, amortization and impairment loss of intangible assets of the Group for the years ended December 31, 2022 and 2021 were as follows:

	<u>Goodwill</u>	<u>Authorization fee</u>	<u>Copyright</u>	<u>Computer software and others</u>	<u>Total</u>
<b>Cost:</b>					
Balance at January 1, 2022	\$ 6,556	101,703	18,496	199,114	325,869
Additions	-	-	-	25,272	25,272
Reductions	-	(14,286)	-	(29,647)	(43,933)
Effect of movement in exchange rates	-	-	-	306	306
Balance at December 31, 2022	<u>\$ 6,556</u>	<u>87,417</u>	<u>18,496</u>	<u>195,045</u>	<u>307,514</u>
Balance at January 1, 2021	\$ 6,556	113,605	18,496	178,042	316,699
Additions	-	-	-	75,542	75,542
Reductions	-	(11,902)	-	(54,383)	(66,285)
Effect of movement in exchange rates	-	-	-	(87)	(87)
Balance at December 31, 2021	<u>\$ 6,556</u>	<u>101,703</u>	<u>18,496</u>	<u>199,114</u>	<u>325,869</u>

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	<u>Goodwill</u>	<u>Authorization fee</u>	<u>Copyright</u>	<u>Computer software and others</u>	<u>Total</u>
<b>Amortization:</b>					
Balance at January 1, 2022	\$ -	94,695	18,496	97,650	210,841
Amortization	-	2,486	-	44,557	47,043
Reductions	-	(14,286)	-	(29,647)	(43,933)
Effects of movement in exchange rates	-	-	-	284	284
Balance at December 31, 2022	<u>\$ -</u>	<u>82,895</u>	<u>18,496</u>	<u>112,844</u>	<u>214,235</u>
Balance at January 1, 2021	\$ -	102,329	18,496	120,574	241,399
Amortization	-	4,268	-	31,538	35,806
Reductions	-	(11,902)	-	(54,383)	(66,285)
Effects of movement in exchange rates	-	-	-	(79)	(79)
Balance at December 31, 2021	<u>\$ -</u>	<u>94,695</u>	<u>18,496</u>	<u>97,650</u>	<u>210,841</u>
Carrying amounts:					
Balance at December 31, 2022	<u>\$ 6,556</u>	<u>4,522</u>	<u>-</u>	<u>82,201</u>	<u>93,279</u>
Balance at January 1, 2021	<u>\$ 6,556</u>	<u>11,276</u>	<u>-</u>	<u>57,468</u>	<u>75,300</u>
Balance at December 31, 2021	<u>\$ 6,556</u>	<u>7,008</u>	<u>-</u>	<u>101,464</u>	<u>115,028</u>

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

(l) Short-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured bank loans	<u>\$ 4,386,582</u>	<u>4,363,580</u>
Unused credit line for short-term borrowings	<u>\$ 11,618,524</u>	<u>6,236,932</u>
Annual interest rates	<u>0.05%~5.58%</u>	<u>0.05%~1.17%</u>

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

(m) Other current liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Temporary receipts—non-recurring engineering revenue and collection on behalf of others	\$ 814,405	465,910
Others	<u>103,613</u>	<u>268,889</u>
	<u>\$ 918,018</u>	<u>734,799</u>

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(n) Unsecured convertible bonds payable

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Total convertible bonds issued	\$ 1,000,000	1,000,000
Unamortized discounts on bonds payable	-	(1,433)
Unamortized issuance cost on bonds payable	-	(496)
Accumulated converted amount	(992,600)	(671,500)
Repayment of bonds payable	<u>(7,400)</u>	<u>-</u>
Balance of bonds payable as of the reporting date	<u>\$ -</u>	<u>326,571</u>
Conversion options included in equity components (recognized as capital surplus – tock options)	<u>\$ -</u>	<u>15,987</u>
Conversion options included in equity components (recognized as capital surplus – expired stock options)	<u>\$ 361</u>	<u>-</u>
	<b>2022</b>	<b>2021</b>
Interest expenses	<u>\$ 763</u>	<u>11,968</u>

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

- (ii) The main terms of issuing the above-mentioned convertible bonds were as follows:

- 1) Coupon rate: 0%
- 2) Duration: three years (June 6, 2019~June 6, 2022)
- 3) Repayment:

Put option and call option are excluded from the issuance of convertible bonds. Except that the bondholders convert the bonds to Group's ordinary shares, or the bonds are repurchased and cancelled by the Group from the securities firm's business office, the bonds will be repaid in cash at par value when the bonds expired.

- 4) Terms of conversion:

- a) The bondholder may opt to have its bonds converted into the Group's ordinary shares, with the approval of Taiwan Depository & Clearing Corporation through securities firms, at any time between three months after the issuance date (September 7, 2019) and the day before the maturity day (June 6, 2022), except for the following:

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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- The closing period in accordance with the applicable law;
  - The period starting from the first day of the first fifteen working days prior to the date of record for determination wherein the shareholders are entitled to receive the distributions or rights to subscribe for new shares in a capital increase for cash, and ends on the date of record for the distribution of the rights/benefits;
  - The period starts from the date of record of the capital decrease and ends on the date prior to the trading of the reissuance shares after the capital decrease.
- b) The conversion price was NT\$98.3 per share upon issuance. The conversion price had been adjusted to NT\$93.0 per share after distribution of cash dividends on ordinary shares and issuing new shares in cash in 2019, then had been adjusted to NT\$87.7 and NT\$82.5 per share after distribution of cash dividends on ordinary shares in 2020 and 2021, respectively.
- (iii) The maturity date of above mentioned convertible bonds was on June 6, 2022. The remaining bonds which were not converted were repaid in cash at maturity with par value of \$7,400 according to the terms of conversion.
- (iv) From January 1 to June 6, 2022, and for the year ended December 31, 2021, the convertible bonds with a par value of \$321,100 and \$671,500 were converted into ordinary shares of the Company with \$38,920 and \$81,363, and the capital surplus were recognized with \$296,640 and \$616,933 (including the stock options reclassified as additional paid-in capital – premium of \$15,626 and \$32,680 and the unamortized discounts on bonds payable of \$1,166 and \$5,884, respectively).
- (o) Lease liabilities

The details of lease liabilities were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Current	<u>\$ 91,055</u>	<u>86,426</u>
Non-current	<u>\$ 104,690</u>	<u>197,303</u>

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

The amounts recognized in profit or loss were as follows:

	<b>2022</b>	<b>2021</b>
Interest expense on lease liabilities	<u>\$ 9,574</u>	<u>12,165</u>
Expenses relating to short-term leases	<u>\$ 23,130</u>	<u>43,992</u>

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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The amounts recognized in the statement of cash flows for the Group were as follows:

	<b>2022</b>	<b>2021</b>
Total cash outflow for leases	<u>\$ 119,263</u>	<u>144,859</u>

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

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

(ii) Other leases

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

(p) Provisions

	<b>Warranties</b>
Balance at January 1, 2022	\$ 1,018,471
Provisions made	346,478
Provisions used	(273,027)
Provisions reversed	<u>(481,927)</u>
Balance at December 31, 2022	<u>\$ 609,995</u>
Balance at January 1, 2021	\$ 659,377
Provisions made	452,843
Provisions used	<u>(93,749)</u>
Balance at December 31, 2021	<u>\$ 1,018,471</u>

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

(q) Employee benefits

(i) Defined benefit plans

Reconciliation of the present value of the defined benefit obligations and the fair value of plan assets for the Company were as follows:

	<b>December 31,</b>	<b>December 31,</b>
	<b>2022</b>	<b>2021</b>
Present value of defined benefit obligations	\$ 214,762	<u>236,742</u>
Fair value of plan assets	<u>(140,339)</u>	<u>(130,840)</u>
Net defined benefit liabilities	<u>\$ 74,423</u>	<u>105,902</u>

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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The Company makes defined benefit plan contributions to the pension fund account at the Bank of Taiwan that provides pensions for employees upon retirement. The plans (cover by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$140,339 as of the reporting date. For information on the utilization of the labor pension fund assets including the asset allocation and yield rate of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ 236,742	229,760
Current service costs and interest	2,174	2,702
Remeasurement of net defined benefit liabilities	(18,410)	10,461
Pension payments	(5,744)	(6,181)
Balance at December 31	<u>\$ 214,762</u>	<u>236,742</u>

3) Movements in the fair value of the defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the Company for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Fair value of plan assets at January 1	\$ 130,840	130,641
Contributions paid by the employer	4,024	4,081
Expected return on plan assets	756	818
Remeasurement of net defined benefit assets	10,463	1,481
Pension payments	(5,744)	(6,181)
Fair value of plan assets at December 31	<u>\$ 140,339</u>	<u>130,840</u>
Actual return on plan assets	<u>\$ 11,219</u>	<u>2,299</u>

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Current service costs	\$ 768	1,278
Net interest on the net defined benefit liabilities	1,406	1,424
Expected return on plan assets	(756)	(818)
	<u>\$ 1,418</u>	<u>1,884</u>
Operating costs	\$ 165	290
Selling expenses	172	224
Administrative expenses	319	306
Research and development expenses	762	1,064
	<u>\$ 1,418</u>	<u>1,884</u>

5) Remeasurements of net defined benefit liabilities recognized in other comprehensive income

The Company's actuarial gains and losses recognized in other comprehensive income, before tax, for the years ended December 31, 2022 and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
Cumulative amount at January 1	\$ 80,783	71,803
Recognized	(28,873)	8,980
Cumulative amount at December 31	<u>\$ 51,910</u>	<u>80,783</u>

6) Actuarial assumptions

a) The following are the Company's principal actuarial assumptions at the reporting date:

i) Actuarial valuation for present value of defined benefit obligations as of December 31, 2022 and 2021.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.750 %	0.625 %
Future salary increasing rate	3.000 %	3.000 %

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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- ii) Actuarial valuation for defined benefit plan cost for the years ended December 31, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Discount rate	0.625 %	0.625 %
Future salary increasing rate	3.000 %	3.000 %

The expected allocation payment made by the Company to the defined benefit plans for the one year period after the reporting date was \$4,024.

The weighted-average duration of the defined benefit obligation is 12.98 years.

- 7) Sensitivity analysis

If the main actuarial assumptions as of December 31, 2022 and 2021 had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	<b>Impact on the defined benefit obligation</b>	
	<b>Increased 0.25%</b>	<b>Decreased 0.25%</b>
December 31, 2022		
Discount rate	(4,565)	4,714
Future salary increasing rate	4,555	(4,422)
December 31, 2021		
Discount rate	(5,709)	5,925
Future salary increasing rate	5,670	(5,495)

Reasonably possible changes to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation on the net defined benefit liabilities in the balance sheets.

The method and assumptions used in the preparation of sensitivity analysis is consistent with prior period.

- 8) The payments of pension to the qualified employees from Bank of Taiwan labor pension reserve account made by the Company were amounted to \$5,744 and \$6,181 for the years ended December 31, 2022 and 2021, respectively.

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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(ii) Defined contribution plans

The Company and all subsidiaries in domestic allocate 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group allocates the labor pension at a specific percentage to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The Company and all subsidiaries in domestic recognized the pension costs under the defined contribution method amounting to \$51,561 and \$50,300 for the years ended December 31, 2022 and 2021, respectively. Payment was allocated to the Bureau of Labor Insurance.

Other subsidiaries recognized the pension expense, basic endowment insurance expense, and social welfare expenses amounting to \$58,648 and \$59,866 for the years ended December 31, 2022 and 2021, respectively.

(r) Income taxes

(i) Income tax expense (benefit)

The amount of income tax (benefit) for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Current tax expense		
Recognized during the period	\$ 609,621	621,024
Additional tax on undistributed earnings	13,568	14,627
Adjustment for prior periods	<u>154,395</u>	<u>(60,449)</u>
	<u>777,584</u>	<u>575,202</u>
Deferred tax expense		
Recognition and reversal of temporary differences	<u>(226,454)</u>	<u>(4,222)</u>
Income tax expense	<u>\$ 551,130</u>	<u>570,980</u>

The amount of income tax recognized in other comprehensive income for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Exchange differences on translation of foreign financial statements	\$ (2,556)	(17,270)
Gains (losses) on remeasurement of defined benefit plans	5,775	(1,796)
Gain on hedging instrument	<u>(9,562)</u>	<u>-</u>
	<u>\$ (6,343)</u>	<u>(19,066)</u>

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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Reconciliation of income tax and income before tax for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Income before income tax	\$ 2,466,183	2,272,780
Income tax at the Company's domestic tax rate	417,341	495,773
Effect of tax rates in foreign jurisdiction	(9,068)	24,820
Tax-exempt net profit and loss from investment	35,385	8,965
Changes in unrecognized temporary differences	31,884	174,936
Over provision in prior periods	(6,139)	(57,217)
Additional tax on undistributed earnings	13,568	14,627
Tax credit of investment	(90,000)	(70,000)
Others	158,159	(20,924)
	<u>\$ 551,130</u>	<u>570,980</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities:

As of December 31, 2021, there were no unrecognized deferred tax liabilities. As of December 31, 2022, since the Group was able to control the timing of the reversal of the temporary differences associated with investments in overseas subsidiaries, and the management considered it is probable that the temporary differences will not be reversed in the foreseeable future. Hence, such temporary differences were not recognized under deferred tax liabilities. Details were as follows:

	<u>December 31,</u> <u>2022</u>
The temporary differences associated with investments in overseas subsidiaries	\$ <u>510,620</u>
Unrecognized deferred tax liabilities	\$ <u>102,124</u>

2) Unrecognized deferred tax assets:

Details of unrecognized deferred tax assets are as follows:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Tax effect of deductible temporary differences	\$ 413,593	377,915
Tax effect of loss carryforward	161,802	63,472
	<u>\$ 575,395</u>	<u>441,387</u>

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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The Group assesses and considers that part of the income tax deductible items may be unrealized, therefore the Group do not recognize as deferred tax assets. In addition, according to ROC Income Tax Act, the loss carryforward are the losses incurred in past 10 years assessed by ROC tax authorities which can be deducted from the net profit of current year before levied. The items are not recognized as deferred income tax assets due to the fact that the Group may not have sufficient taxable income in the future for the losses.

As of December 31, 2022, the tax effects on loss carryforward that have not been recognized as deferred tax assets were as follows:

<u>Year of loss</u>	<u>Expiry year</u>	<u>Deductible amount</u>
2020 (filed)	2025	\$ 20,484
2020 (examined)	2030	77,459
2021 (filed)	2026	126,335
2021 (filed)	2031	47,904
2022 (filed)	2027	277,800
2022 (estimated)	2032	152,875
		<u>\$ 702,857</u>

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2022 and 2021 were as follows:

	<u>Investment income recognized under the equity method (overseas)</u>	<u>Exchange difference on translation of foreign financial statements</u>	<u>Others</u>	<u>Total</u>
Deferred Tax Liabilities:				
Balance at January 1, 2022	\$ 168,117	-	4	168,121
Recognized in profit or loss	(168,117)	-	26,217	(141,900)
Balance at December 31, 2022	<u>\$ -</u>	<u>-</u>	<u>26,221</u>	<u>26,221</u>
Balance at January 1, 2021	\$ 97,387	58	-	97,445
Recognized in profit or loss	70,730	-	4	70,734
Recognized in other comprehensive income	-	(58)	-	(58)
Balance at December 31, 2021	<u>\$ 168,117</u>	<u>-</u>	<u>4</u>	<u>168,121</u>

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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	<b>Defined benefit plans</b>	<b>Exchange difference on translation of foreign financial statements</b>	<b>Loss on inventory valuation</b>	<b>Unrealized exchange gains and losses, net</b>	<b>Unrealized gross profit</b>	<b>Loss carryforward</b>	<b>Others</b>	<b>Total</b>
Deferred Tax Assets:								
Balance at January 1, 2022	\$ 16,153	59,088	33,749	49,638	11,414	-	230,452	400,494
Recognized in profit or loss	-	-	163,909	(49,638)	8,960	-	(38,677)	84,554
Recognized in other comprehensive income	(5,775)	4,979	-	-	-	-	7,139	6,343
Balance at December 31, 2022	<u>\$ 10,378</u>	<u>64,067</u>	<u>197,658</u>	<u>-</u>	<u>20,374</u>	<u>-</u>	<u>198,914</u>	<u>491,391</u>
Balance at January 1, 2021	\$ 14,357	41,876	48,287	48,186	9,526	-	144,298	306,530
Recognized in profit or loss	-	-	(14,538)	1,452	1,888	-	86,154	74,956
Recognized in other comprehensive income	1,796	17,212	-	-	-	-	-	19,008
Balance at December 31, 2021	<u>\$ 16,153</u>	<u>59,088</u>	<u>33,749</u>	<u>49,638</u>	<u>11,414</u>	<u>-</u>	<u>230,452</u>	<u>400,494</u>

(iii) The ROC tax authorities have examined the income tax returns of the Company, ZHI-BAO, and TTI through 2020. The income tax returns through 2021 and the liquidation period of Abcel Telecom have been examined by the tax authorities. The relevant approved differences have been reflected as income tax adjustments in the year of determination.

(s) Capital and other equities

As of December 31, 2022 and 2021, the authorized ordinary stocks were both \$3,000,000, of which 220,355 thousand shares and 216,493 thousand shares were issued respectively. All issued shares were paid up upon issuance.

(i) Ordinary shares

Reconciliation of shares outstanding for 2022 and 2021 were as follows:

<b>(in thousands of shares)</b>	<b>Ordinary shares</b>	
	<b>2022</b>	<b>2021</b>
Balance on January 1	216,493	208,409
Cancellation of employee restricted shares	(30)	(53)
Convertible bonds converted into ordinary shares	3,892	8,137
Balance on December 31	<u>220,355</u>	<u>216,493</u>

(ii) Ordinary Shares

In 2018, the Company issued its employee restricted shares amounting to \$45,000, wherein the amount of \$303 and \$532, respectively, had been cancelled due to failure in meeting the vested requirements for the years ended December 31, 2022 and 2021. As of the reporting date, the registration procedures had been completed.

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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For the years ended December 31, 2022 and 2021, by the request of bonds holders, the convertible bonds issued by the Company were converted into ordinary shares of \$38,920 with 3,892 thousand new shares and \$81,363 with 8,137 thousand new shares issued at par value, respectively. As of the reporting date, the registration procedures had been completed.

(iii) Capital surplus

The balances of capital surplus as of December 31, 2022 and 2021 were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Additional paid-in capital—premium	\$ 4,081,618	3,943,016
Difference between consideration and carry amount arising from acquisition or disposal of subsidiaries	3,698	3,698
Changes in equity of associates, joint ventures and subsidiaries accounted for using equity method	6,052	-
Issuance of convertible bonds	-	15,987
Expired stock options	361	-
Issuance of employee restricted shares	-	69,699
	<u>\$ 4,091,729</u>	<u>4,032,400</u>

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus should not exceed 10% of the paid-in capital.

The capital surplus—premium resulted from the conversion of unsecured convertible bonds into ordinary shares for the years ended December 31, 2022 and 2021 were \$296,640 and \$616,933, respectively (including the stock options reclassified as additional-paid in capital—premium of \$15,626 and \$32,680, and the unamortized discounts on bonds payable of \$1,166 and \$5,884).

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

The Company's Board of Directors meeting held on March 14, 2023, approved to distribute the cash dividend of \$220,355 (\$1 per share) through capital surplus. The related information can be accessed through the Market Observation Post System website after the meeting.

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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(iv) Retained earnings

According to the Company's Article of Incorporation, if the Company make earnings in a fiscal year, after all tax and dues have been paid and accumulated loss for previous years have been made up, shall set aside 10% of earnings as legal reserve (unless the amount of legal reserve is equal or greater than total paid-in capital), and set aside the special reserve in accordance with relevant laws and regulations. Depending on operation conditions, the board of directors shall retain an appropriate amount then propose an earnings distribution plan. According to the Company's Article of Incorporation, the Company authorize the board of directors to distribute dividend, bonus, capital surplus and legal reserve in whole or in part in the form of cash, after a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of total number of directors, and shall report such distribution plan in the general shareholders' meeting.

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

1) Legal reserve

If a company incurs no loss, it may pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash. Only the portion of legal reserve which exceeds 25% of paid-in capital may be distributed.

2) Special reserve

A portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. An equivalent amount of special earnings reserve shall be reclassified from current-period net income, plus items other than current-period net income, that are included in the undistributed current-period earnings and undistributed prior-period earnings. A portion of undistributed prior period earnings shall be reclassified as a special earnings reserve to account for cumulative changes to the net reduction of other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(v) Earnings distributed

Earnings distribution for 2021 and 2020 were approved by the Board of Directors meeting held on March 10, 2022 and on March 17, 2021, respectively. The relevant dividend distribution to shareholders were as follows:

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

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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The earnings distribution for 2022 was approved by the Board of Directors meeting held on March 14, 2023 as follows:

	<b>2022</b>	
	<b>Amount per share (dollars)</b>	<b>Total amount</b>
Cash dividends distributed to ordinary shareholders from unappropriated earnings	\$ 5.50	<b>1,211,949</b>

The related information of the earnings distribution for the years ended December 31, 2022, can be accessed through the Market Observation Post System website after the meeting.

- (t) Share-based payment
  - (i) The Company – Employee restricted share

At the meeting held on June 21, 2018, the Company's Shareholders' meeting is resolved to issue 4,500 thousand shares of employee restricted shares to the Company's full time employees who meet certain requirements. The restricted shares have been registered with, and approved by, the Securities and Futures Bureau of FSC. The Board of Directors decided to issue all the restricted shares on November 6, 2018, which is also the record date of the share issuance.

3,500 thousand shares of the aforementioned restricted shares are issued without consideration. 30%, 30% and 40% of the 3,500 thousand restricted shares are vested when the employees continue to provide service for at least 2 year, 3 years and 4 years, respectively, from the registration and the effective date, and at the same time, meet the performance requirement. In addition, when earnings per share in two consecutive and complete fiscal years from the registration and effective date are no less than NT\$4, and at the same time, the employees with the restricted shares meet the performance requirement, the other 1,000 thousand shares of the restricted shares are vested 100% at the date the shareholders approved the financial statements for the second fiscal year. If the earnings per share in two consecutive and complete fiscal years from the registration and effective date are between NT\$3 to NT\$4, at the same time, the employees with the restricted shares meet the performance requirement, the restricted shares are vested 75% at the date the shareholders approved the financial statements for the second fiscal year. If the earnings per share in two consecutive and complete fiscal years from the registration and effective date are less than NT\$3, the employees with restricted shares, whether or not they meet the performance requirement, no restricted shares are vested at the date the shareholders approved the financial statements for the second fiscal year. The earnings per share mentioned above are calculated based on the profit approved by the shareholders and the weighted average number of ordinary shares outstanding at the date of the restricted shares have been approved by the authority.

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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After the issuance, the restricted shares are kept by a trust, which is appointed by the Company, before they are vested. These restricted shares shall not be sold, transferred, pledged, gifted, or disposed by any other means, to third parties during the custody period. The voting rights of these shares are executed by the custodian, and the custodian shall act based on the law and regulations. If the shares remain unvested after the vesting period, the Company will redeem all the unvested shares without consideration and cancel the shares thereafter. Restricted shares could be received in cash and stock dividends, or could be used to participate in cash injection. The aforementioned new shares are not considered as restricted shares.

The information of the Company's employee restricted shares were as follows:

	Unit: in thousands of shares	
	<u>2022</u>	<u>2021</u>
Outstanding unit at January 1	1,283	2,306
Canceled during the period	(30)	(53)
Vested during the period	<u>(1,253)</u>	<u>(970)</u>
Outstanding unit at December 31	<u><u>-</u></u>	<u><u>1,283</u></u>

As of December 31, 2022 and 2021, the unearned employee benefit were \$0 and \$13,030, respectively.

The compensation cost related to the employee restricted share were \$2,396 and 32,576 respectively for the years ended December 31, 2022 and 2021.

(u) Earnings per share

(i) Basic earnings per share

1) Net income attributable to ordinary shareholders of the Company

	<u>2022</u>	<u>2021</u>
Net income attributable to ordinary shareholders of the Company	<u>\$ 2,013,156</u>	<u>1,787,544</u>

2) Weighted-average number of ordinary shares (thousand shares)

	<u>2022</u>	<u>2021</u>
Weighted-average number of ordinary shares as of December 31	<u>218,722</u>	<u>207,793</u>
Basic earnings per share (dollars)	<u>\$ 9.20</u>	<u>8.60</u>

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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(ii) Diluted earnings per share

1) Net income attributable to ordinary shareholders of the Company (diluted)

	<u>2022</u>	<u>2021</u>
Net income attributable to ordinary shareholders of the Company(basic) (diluted)	<u>\$ 2,013,919</u>	<u>1,799,512</u>

2) Weighted-average number of ordinary shares (diluted) (thousand shares)

	<u>2022</u>	<u>2021</u>
Weighted-average number of outstanding ordinary shares (basic)	218,722	207,793
Effect of remuneration to employees	3,959	2,970
Effect of employee restricted shares unvested	885	1,784
Effect of convertible bonds payable	<u>795</u>	<u>10,721</u>
Weighted-average number of ordinary shares (diluted)	<u>224,361</u>	<u>223,268</u>
Diluted earnings per share (dollars)	<u>\$ 8.98</u>	<u>8.06</u>

(v) Revenue from contracts with customers

(i) Details of revenue

	<u>2022</u>	<u>2021</u>
Primary geographical markets:		
America	\$ 18,532,126	9,895,139
Europe	18,153,698	20,269,034
Asia and others	<u>10,481,925</u>	<u>8,075,885</u>
	<u>\$ 47,167,749</u>	<u>38,240,058</u>
Major products:		
Smart Home Solution	\$ 16,630,098	22,691,012
Mobility Solution	15,946,538	1,909,456
Broadband Solution	13,232,692	12,663,587
Others	<u>1,358,421</u>	<u>976,003</u>
	<u>\$ 47,167,749</u>	<u>38,240,058</u>

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(ii) Contract balances

	<b>December 31, 2022</b>	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Notes and accounts receivable	\$ 10,841,313	7,720,448	6,939,295
Less: allowance for uncollectible accounts	(44,598)	(28,152)	(26,831)
<b>Total</b>	<b><u>\$ 10,796,715</u></b>	<b><u>7,692,296</u></b>	<b><u>6,912,464</u></b>

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

(w) Remuneration to employees and directors

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

For the years ended December 31, 2022 and 2021, the Company accrued employee remuneration of \$327,896 and \$309,470, and directors' remuneration of \$17,635 and \$16,806, respectively. The estimated amounts mentioned above are based on the income before tax prior to deduction of the remuneration to employees and directors of each respective ending period, multiplied by the percentage of remuneration to employees and directors, which were approved by the management of the Company. The estimations were recorded under operating costs or expenses during 2022 and 2021.

The differences between the actual amounts and the estimate recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in the distribution year. If the Board of Directors approve to distribute employee remuneration in the form of stock, the number of the shares of the employee remuneration is determined based on the closing price of the day before the Board of Directors' meeting.

There is no differences between the amounts approved in the Board of Directors' meeting and those recognized in the consolidated financial statement for the year ended December 31, 2021, the related information can be accessed through the Market Observation Post System website.

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(x) Financial instruments

(i) Credit risk

1) Maximum exposure to credit risk

The carrying amount of financial assets and contractual assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

The Group has large customer bases; therefore, the Group does not concentrate on a specific customer and the sales regions are widely spread, thus, there should be no concern on the significant concentrations of accounts receivable credit risk. In addition, in order to mitigate accounts receivable credit risk, the Group constantly assesses the financial status of its customers, wherein it does not require its customers to provide any collaterals.

3) Receivable and debt securities

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

Other financial assets at amortized cost include other receivables, repurchase agreements and time deposits. These financial assets are considered to have low credit risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Besides, due to the counterparties of the time deposits and repurchase agreements held by the Group are financial institutions with investment grade and above credit ratings, these time deposits and repurchase agreements are considered to have low credit risk.

The movement of loss allowance provision for the years ended December 31, 2022 and 2021 were as follows:

	<u>Other receivables</u>
Balance at January 1, 2022	\$ 3
Impairment loss recognized	<u>525</u>
Balance at December 31, 2022	<u>\$ 528</u>
Balance at January 1, 2021	\$ 45
Impairment loss reversed	<u>(42)</u>
Balance at December 31, 2021	<u>\$ 3</u>

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Liquidity risk

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

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
<b>December 31, 2022</b>					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 4,386,582	(4,386,582)	(4,386,582)	-	-
Accounts payable (including related parties)	14,180,945	(14,180,945)	(14,180,945)	-	-
Other payables	4,807,007	(4,807,007)	(4,807,007)	-	-
Lease liability— current and non-current	195,745	(204,828)	(86,754)	(82,618)	(35,456)
Deposits received	34,607	(34,607)	(34,607)	-	-
Derivative financial liabilities					
Other foreign exchange forward contracts:	30,795				
Outflow		(719,840)	(719,840)	-	-
Inflow		692,176	692,176	-	-
Foreign exchange forward contracts used for hedging	47,809				
Outflow		(2,126,800)	(2,126,800)	-	-
Inflow		2,090,285	2,090,285	-	-
	<u>\$ 23,683,490</u>	<u>(23,678,148)</u>	<u>(23,560,074)</u>	<u>(82,618)</u>	<u>(35,456)</u>
<b>December 31, 2021</b>					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 4,363,580	(4,363,580)	(4,363,580)	-	-
Accounts payable (including related parties)	9,785,660	(9,785,660)	(9,785,660)	-	-
Other payables	3,844,588	(3,844,588)	(3,844,588)	-	-
Bonds payable	326,571	(328,500)	(328,500)	-	-
Lease liability— current and non-current	283,729	(302,673)	(96,175)	(91,218)	(115,280)
Deposits received	29,711	(29,711)	(29,711)	-	-
Derivative financial liabilities					
Other foreign exchange forward contracts:	1,589				
Outflow		(358,895)	(358,895)	-	-
Inflow		357,183	357,183	-	-
	<u>\$ 18,635,428</u>	<u>(18,656,424)</u>	<u>(18,449,926)</u>	<u>(91,218)</u>	<u>(115,280)</u>

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

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (iii) Market risk

## 1) Exposure to foreign currency risk

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

Unit: thousands of foreign currency

	December 31, 2022			December 31, 2021		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	\$ 749,672	USD/TWD =30.71	23,022,427	484,260	USD/TWD =27.68	13,404,317
EUR	56,037	EUR/TWD =32.72	1,833,531	52,311	EUR/TWD =31.32	1,638,381
Financial liabilities						
USD	883,557	USD/TWD =30.71	27,134,035	600,011	USD/TWD =27.68	16,608,304
EUR	20,859	EUR/TWD =32.72	682,506	27,365	EUR/TWD =31.32	857,072

## 2) Sensitivity analysis

The Group's exposure to foreign currency risk arises mainly from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable (including related parties), other receivables (including related parties), short-term borrowings, notes and accounts payable and other payables (including related parties) that are denominated in foreign currency. The analysis assumes that all other variables remain constant. A strengthening (weakening) 5% of each foreign currency against the functional currency on December 31, 2022 and 2021 would have affected the net income before tax as follows. The analysis is performed on the same basis for both periods:

	December 31, 2022	December 31, 2021
USD (against the TWD)		
Strengthening 5%	\$ (205,580)	(160,199)
Weakening 5%	205,580	160,199
EUR (against the TWD)		
Strengthening 5%	57,551	39,065
Weakening 5%	(57,551)	(39,065)

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Exchange gains and losses of monetary items

As the Group deals with diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the years ended December 31, 2022 and 2021, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$391,251 and \$(161,048), respectively.

(iv) Interest rate analysis

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

	<u>Carrying amount</u>	
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Fixed rate financial instrument:		
Financial assets	\$ 5,054,505	4,676,032
Financial liabilities	<u>(4,386,582)</u>	<u>(4,690,151)</u>
	<u><b>\$ 667,923</b></u>	<u><b>(14,119)</b></u>
Variable rate financial instrument:		
Financial assets	<u><b>\$ 2,522,097</b></u>	<u><b>3,291,890</b></u>

The following sensitivity analysis is based on the risk exposure to interest rate for the non-derivative financial instruments on the reporting date. Regarding the assets and liabilities with variable interest rates, the analysis is on the basis of the assumption that the amount of assets and liabilities outstanding at the reporting date were outstanding throughout the whole year. The rate of change reporting to management internally is expressed as the interest rate increase or decrease by 0.25%, which also represents management of the Group's assessment on the reasonably possible interval of interest rate change.

If the interest rate had increased or decreased by 0.25% on the reporting date, assuming all other variables remaining constant the net income before tax would have increased or decreased by \$6,305 and \$8,230 for the years ended December 31, 2022 and 2021, respectively, which would be mainly resulted from the bank savings with variable interest rates.

(v) Fair value

1) The categories of financial instruments and fair value

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

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	December 31, 2022				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss—current and non-current</b>					
Derivative financial assets	\$ 187	-	187	-	187
Non derivative financial assets mandatorily measured at fair value through profit or loss	<u>46,379</u>	-	-	46,379	46,379
Subtotal	<u>46,566</u>				
<b>Financial assets measured at fair value through other comprehensive income</b>					
Stocks unlisted on domestic markets	<u>46,150</u>	-	-	46,150	46,150
<b>Financial assets measured at amortized cost:</b>					
Cash and cash equivalents	7,579,551	-	-	-	-
Notes and accounts receivable, net	10,796,715	-	-	-	-
Other receivables (including related parties)	276,728	-	-	-	-
Refundable deposits	<u>90,135</u>	-	-	-	-
Subtotal	<u>18,743,129</u>				
Total	<u>\$ 18,835,845</u>				
<b>Financial liabilities measured at fair value through profit or loss</b>					
Derivative financial liabilities	\$ <u>30,795</u>	-	30,795	-	30,795
<b>Financial liabilities for hedging</b>	<u>47,809</u>	-	47,809	-	47,809
<b>Financial liabilities measured at amortized cost</b>					
Short-term borrowings	4,386,582	-	-	-	-
Accounts payable (including related parties)	14,180,945	-	-	-	-
Other payables	4,807,007	-	-	-	-
Lease liabilities—current and non-current	195,745	-	-	-	-
Deposits received	<u>34,607</u>	-	-	-	-
Subtotal	<u>23,604,886</u>				
Total	<u>\$ 23,683,490</u>				

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	December 31, 2021				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets measured at fair value through profit or loss — current and non-current</b>					
Derivative financial assets	\$ 19,713	-	19,713	-	19,713
Non-derivative financial assets mandatorily measured at fair value through profit or loss	<u>37,475</u>	-	-	37,475	37,475
Subtotal	<u>57,188</u>				
<b>Financial assets measured at fair value through other comprehensive income</b>					
Stocks unlisted on domestic markets	26,169	-	-	26,169	26,169
Accounts receivable	<u>298,642</u>	-	298,642	-	298,642
Subtotal	<u>324,811</u>				
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	7,970,779	-	-	-	-
Notes and accounts receivable, net	7,393,654	-	-	-	-
Other receivables (including related parties)	98,994	-	-	-	-
Refundable deposits	<u>112,868</u>	-	-	-	-
Subtotal	<u>15,576,295</u>				
Total	<u>\$ 15,958,294</u>				
<b>Financial liabilities measured at fair value through profit or loss</b>					
Derivative financial liabilities	\$ <u>1,589</u>	-	1,589	-	1,589
<b>Financial liabilities measured at amortized cost</b>					
Short-term borrowings	4,363,580	-	-	-	-
Accounts payable (including related parties)	9,785,660	-	-	-	-
Other payables	3,844,588	-	-	-	-
Bonds payable	326,571	-	-	-	-
Lease liabilities—current and non-current	283,729	-	-	-	-
Deposits received	<u>29,711</u>	-	-	-	-
Subtotal	<u>18,633,839</u>				
Total	<u>\$ 18,635,428</u>				

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- 2) Fair value valuation technique for financial instruments not measured at fair value

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

- a) Financial assets and financial liabilities measured at amortized cost

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

- 3) Fair value valuation technique for financial instruments measured at fair value

- a) Non-derivative financial instruments

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

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

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

- b) Derivative financial instruments

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

- 4) Transfers between Level 1 and Level 2

There was no transfer from level 2 to level 1 for the years ended December 31, 2022 and 2021.

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

5) Reconciliation of Level 3 fair values

	<u>Fair value through profit of loss</u>	<u>Fair value through other comprehensive income</u>
	<u>Non-derivative financial assets mandatorily measured at fair value through profit or loss</u>	<u>Unquoted equity instruments</u>
Balance at January 1, 2022	\$ 37,475	26,169
Total gains and losses recognized		
In profit or loss	8,904	-
In other comprehensive income	-	19,981
Balance at December 31, 2022	<u>\$ 46,379</u>	<u>46,150</u>
Balance at January 1, 2021	\$ 42,840	31,135
Total gains and losses recognized		
In profit or loss	(5,365)	-
In other comprehensive income	-	(4,966)
Balance at December 31, 2021	<u>\$ 37,475</u>	<u>26,169</u>

For the years ended December 31, 2022 and 2021, total gains and losses that were included in “gains and losses on financial assets (liabilities) at fair value through profit or loss” and “unrealized gains and losses from investments in equity instruments measured at fair value through other comprehensive income” were as follows:

	<u>2022</u>	<u>2021</u>
Total gains and losses recognized:		
In profit or loss, and presented in “Gains and losses on financial assets(liabilities) at fair value through profit or loss”	<u>\$ 8,904</u>	<u>(5,365)</u>
In other comprehensive income, and presented in “Unrealized gains and losses from investments in equity instruments measured at fair value through other comprehensive income”	<u>\$ 19,981</u>	<u>(4,966)</u>

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

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

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

Quantified information of significant unobservable inputs were as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income—equity investment without an active market	Comparable market approach	· Price-Book ratio multiples (1.21~3.77 and 1.58~5.31 on December 31, 2022 and 2021, respectively)	· The higher the multiple is, the higher the fair value will be.
		· Lack-of-Marketability discount rate (30% on December 31, 2022 and 2021)	· The higher the Lack-of-Marketability discount rate is, the lower the fair value will be.
Financial assets at fair value through profit or loss—investments in private equity fund	Net asset value method	· Net asset value	· Inapplicable

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

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

	<u>Input</u>	<u>Move up or down</u>	<u>Other comprehensive income</u>	
			<u>Favorable change</u>	<u>Unfavorable change</u>
<b>December 31, 2022</b>				
Financial assets measured at fair value through other comprehensive income	Price-Book ratio multiples	5%	\$ <u><u>2,323</u></u>	<u><u>2,340</u></u> ZZ
	Lack-of-Marketability discount rate	5%	\$ <u><u>986</u></u>	<u><u>990</u></u>

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	Input	Move up or down	Other comprehensive income	
			Favorable change	Unfavorable change
<b>December 31, 2021</b>				
Financial assets measured at fair value through other comprehensive income	Price-Book ratio multiples	5%	\$ <u>1,356</u>	<u>1,327</u>
	Lack-of-Marketability discount rate	5%	\$ <u>573</u>	<u>573</u>

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

8) Offsetting financial assets and financial liabilities

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

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

Unit: In thousand dollars of TWD and USD

<b>December 31, 2022</b>			
<b>Financial assets/liabilities that are offset which have an exercisable master netting arrangement or similar agreement</b>			
	Gross amounts of recognized financial assets/ liabilities (a)	Gross amounts of financial assets/ liabilities offset in the balance sheet (b)	Net amount of financial assets/ liabilities presented in the balance sheet (c)=(a)-(b)
Cash/short-term	\$ <u>8,525,741</u>	<u>8,525,741</u>	-
borrowings	(USD <u>277,621</u> )	(USD <u>277,621</u> )	
<b>December 31, 2021</b>			
<b>Financial assets/liabilities that are offset which have an exercisable master netting arrangement or similar agreement</b>			
	Gross amounts of recognized financial assets/ liabilities (a)	Gross amounts of financial assets/ liabilities offset in the balance sheet (b)	Net amount of financial assets/ liabilities presented in the balance sheet (c)=(a)-(b)
Cash/short-term	\$ <u>8,300,236</u>	<u>8,300,236</u>	-
borrowings	(USD <u>299,864</u> )	(USD <u>299,864</u> )	

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(y) Financial risk management

(i) Overview

The Group is exposed to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

In this note expressed the information on risk exposure and objectives, policies and procedures of risk measurement and management. For detailed information, please refer to the related notes of each risk.

(ii) Structure of risk management

The Group's risk management policies are set for identifying and analyzing the risk that the Group confronts for setting the appropriate amount of the risk and complying with the policies. The Group continually reviews the risk management policies to reflect the market condition and the changes of the Group's operation. The Group develops a disciplined and constructive environment and makes employees understand their rules and obligations through training, management guidelines, and operating procedures.

Audit Committee of the Group ensures that the monitoring of the management is in compliance with the Group's risk management policies and procedures, and reviews the appropriateness of the related risk management framework. The Group's internal auditors assist the Audit Committee to supervise and review the control and procedures of the risk management periodically and aperiodically, and report the findings to the Audit Committee and the Board of Directors.

(iii) Credit risk

Credit risk is the risk on the financial loss to the Group if a customer or a counterparty fails to meet its contractual obligations. It arises principally from the Group's receivables from customers and investment securities.

1) Accounts receivable and other receivables

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings or financial statements provided by customers (internal ratings). Purchase limits are established for each customer, and these limits are reviewed periodically. Customers who do not meet the basic credit rating of the Group only can make transactions by either advanced payments or obtain consent by authorized supervisors.

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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The Group's customers are mainly from the communications industry. And in order to mitigate the credit risk of accounts receivable, the Group constantly assesses the financial status of the customers, and requests the customers to provide guarantee or security if necessary. The Group regularly assesses the collectability of accounts receivable and recognizes the allowance for accounts receivable. The impairment losses are always within management's expectation.

The Group set the allowance for bad debt account to reflect the estimated losses for trade and other receivables. The allowance for bad debt account is based on extensive analysis for customers' creditworthiness and historical collection records.

2) Investments

The credit risks exposure in the bank deposits and other financial instruments are measured and monitored by the Group's finance department. Since the Group's transaction counterparties and the contractually obligated counterparties are banks, financial institutes and corporate organizations with good credits and investment grade, there are no compliance issues, and therefore, no significant credit risk.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group manages and maintain sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures in compliance with the terms of the loan agreements. The loans and borrowings from banks form an important source of liquidity for the Group. As of December 31, 2022 and 2021, for the information of the unused credit lines of short-term loans, please see note (6)(l).

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

In order to manage market risk, there are some financial liabilities incurred by the Group from buying and selling of derivative instruments. Generally, the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currencies of the Group, primarily in USD, EUR and other currencies.

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The Group designates the spot element of forward foreign exchange contracts to hedge its currency risk. Most of these contracts have a maturity of less than one year from the reporting date. The forward elements of forward exchange contracts are excluded from designation as the hedging instrument and are separately accounted for as a cost of hedging, which is recognized in equity in “other equity interest – gains (losses) on hedging instruments”. The Group’s policy is requesting for the critical terms of the forward exchange contracts to align with the hedged items.

The Group determines the existence of an economic relationship between the hedging instruments and hedged items based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item by using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are:

- the effect of the counterparty and the Group’s own credit risk on the fair value of the forward foreign exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and
- changes in the timing of the cash flows for hedged transactions.

2) Interest rate risk

The Group borrows funds with a stable combination of fixed and variable interest rates to maintain its interest rate risk. The Group adopts contracts of interest swap to avoid the variability of cash flows attributed to fluctuation of interest rate.

(z) Capital management

The Group maintains the capital based on the current operating characteristics of the industry, future development and changes in external environment to assure there is essential financial resource and operating plan to support working capital, capital expenditures, research & development expense, debt redemption and dividend payment and so on. The management decides the optimized capital structure by using the appropriate debt-to-equity ratio. To maintain a strong capital base, the Group enhances the return on equity by optimizing debt-to-equity ratio. The Group’s debt-to-equity ratio at the end of the reporting date were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Total liabilities	\$ 26,081,266	20,978,000
Total equity	13,939,261	12,923,113
Debt-to-equity ratio	187 %	162 %

As of December 31, 2022 and 2021, there were no changes in the Group’s approach of capital management.

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(aa) Investing and financing activities not affecting cash flow

The Group's investing and financing activities which did not affect the cash flow for the years ended December 31, 2022 and 2021 were as follows:

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

Reconciliation of liabilities arising from financing activities were as follows:

	<b>January 1, 2022</b>	<b>Cash flows</b>	<b>Non-cash changes Other</b>	<b>December 31, 2022</b>
Short-term borrowings	\$ 4,363,580	23,002	-	4,386,582
Lease liabilities	283,729	(86,559)	(1,425)	195,745
Bonds payable	326,571	(7,400)	(319,171)	-
Deposits received	29,711	4,785	111	34,607
Total liabilities from financing activities	<u>\$ 5,003,591</u>	<u>(66,172)</u>	<u>(320,485)</u>	<u>4,616,934</u>

  

	<b>January 1, 2021</b>	<b>Cash flows</b>	<b>Non-cash changes Other</b>	<b>December 31, 2021</b>
Short-term borrowings	\$ 707,795	3,655,785	-	4,363,580
Lease liabilities	380,816	(88,702)	(8,385)	283,729
Bonds payable	980,219	-	(653,648)	326,571
Deposits received	2,073	27,570	68	29,711
Total liabilities from financing activities	<u>\$ 2,070,903</u>	<u>3,594,653</u>	<u>(661,965)</u>	<u>5,003,591</u>

**(7) Related-party transactions:**

(a) Parent company and ultimate controlling party

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

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Name and relationship with related parties

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

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

(c) Significant related party transactions

(i) Purchases of goods from related parties

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

	<u>2022</u>	<u>2021</u>
Parent company	\$ 4,736,735	23,523
Other related parties	<u>92,488</u>	<u>114,402</u>
	<u>\$ 4,829,223</u>	<u>137,925</u>

The pricing of purchase transactions with related parties were not significantly different from those offered by other vendors. The payment terms were net 60~120 days from the end of the month of delivery, which were similar to those offered by other vendors.

(ii) Other expenditures

Other related parties provided technical support, professional services and other services for the Group, and the related expenses for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Other related parties	\$ <u>1,085</u>	<u>17,832</u>

(iii) Lease

In April 2019, the Group leased factories and buildings from other related parties—CVC, with a lease term of 3 years, after surveying the market price in neighboring areas. The Group recognized the interest expenses of \$258 for the year ended December 31, 2021. As of December 31, 2021, the balance of lease liabilities amounted to \$1,200. The lease contract had been early terminated on January 31, 2022, and recognized the lease modification benefit of \$174.

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

(iv) Property transaction

1) Disposals of property, plant and equipment

The disposals of equipment to related parties were as follows:

<u>Related party categories</u>	<u>2022</u>		<u>2021</u>	
	<u>Disposal price</u>	<u>Gain (loss) on disposal</u>	<u>Disposal price</u>	<u>Gain (loss) on disposal</u>
Other related parties	\$ -	-	<u>19,689</u>	<u>(4,825)</u>

2) Acquisition of property, plant and equipment

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

(v) Payables to related parties

The payables to related parties were as follows:

<u>Account</u>	<u>Related party categories</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable	Parent company	\$ 1,451,984	14,034
Accounts payable	Other related parties	<u>27,754</u>	<u>39,091</u>
		<u>\$ 1,479,738</u>	<u>53,125</u>

(vi) Receivables from related parties

The other receivables arising from selling equipments to related parties were as follows:

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

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(d) Transactions with key management personnel

Key management personnel remunerations comprised:

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 100,795	101,577
Post-employment benefits	1,058	1,248
Share-based payments	<u>2,350</u>	<u>5,771</u>
	<u>\$ 104,203</u>	<u>108,596</u>

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

**(8) Pledged assets:None**

**(9) Commitments and contingencies:**

As of December 31, 2022 and 2021, the Group has entered into agreements for the construction of its plants, amounted to \$779,873 and \$70,962, respectively, which have yet to be paid.

**(10) Losses Due to Major Disasters: None**

**(11) Subsequent Events: None**

**(12) Other:**

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

By function	2022			2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	829,314	1,684,105	2,513,419	834,014	1,733,022	2,567,036
Labor and health insurance	45,471	117,237	162,708	32,288	123,544	155,832
Pension	47,744	63,883	111,627	52,452	59,598	112,050
Others	598,173	62,551	660,724	658,534	58,929	717,463
Depreciation	535,121	152,012	687,133	389,270	142,746	532,016
Amortization	1,540	45,503	47,043	5,006	30,800	35,806

**(13) Other disclosures:**

(a) Information on significant transactions:

The followings were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the years ended December 31, 2022:

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## ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(i) Loans to other parties:

Unit: In thousand dollars of TWD/USD

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 2)	Maximum limit of fund financing (Note 2 & 3)	Note
													Item	Value			
0	The Company	Arcadyan do Brasil Ltda	Other receivables	Yes	35,867 (USD1,300)	-	-	1%	2	-	Operating demand	-	-	-	2,761,448	5,522,896	The transactions had been eliminated in the consolidated financial statements.
0	"	Arcadyan do Brasil Ltda	"	Yes	59,880 (USD2,000)	-	-	1%	2	-	Operating demand	-	-	-	2,761,448	5,522,896	"
0	"	Arcadyan do Brasil Ltda	"	Yes	64,300 (USD2,000)	61,420 (USD2,000)	42,994 (USD1,400)	5%	2	-	Operating demand	-	-	-	2,761,448	5,522,896	"
0	"	Arcadyan Technology (Vietnam) Co. Ltd.	"	Yes	280,250 (USD10,000)	-	-	1%	1	4,821,470 (USD157,000)	-	-	-	-	2,761,448	5,522,896	"
0	"	Arcadyan Technology (Vietnam) Co. Ltd.	"	Yes	321,500 (USD10,000)	307,100 (USD10,000)	-	1%	1	14,679,380 (USD478,000)	-	-	-	-	2,761,448	5,522,896	"
0	"	Arcadyan Technology Corporation (Russia), LLC	"	Yes	32,150 (USD1,000)	-	-	1%	1	418,792 (USD13,637)	-	-	-	-	335,034 (USD10,909)	5,522,896	"
1	Arcadyan Holding	CNC	"	Yes	546,550 (USD17,000)	-	-	1%	2	-	Operating demand	-	-	-	2,108,499	2,108,499	"

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

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

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

Note 4: The amounts in New Taiwan Dollars were translated at the exchange rate of \$30.71(USD) and \$0.4147(RUB) based on the year-end date.

(ii) Guarantees and endorsements for other parties:

Unit: thousand dollars of TWD/USD

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements / guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	Arcadyan Technology Australia Pty Ltd	100% owned subsidiary of the Company	1,840,965	241,125 (USD7,500)	230,325 (USD7,500)	-	-	1.67 %	5,522,896	Y	N	N

Note: The total amount of endorsements/ guarantees the Company or the Group is permitted to make shall not exceed 40% of the Company's net worth. The total amount of endorsements/ guarantees the Company or the Group is permitted to make for a single company shall not exceed 1/3 of the amount aforementioned.

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

Unit: In thousand dollars of TWD/thousand shares

Name of holder	Category and name of security	Relationship with security issuer	Account name	Ending balance				Highest balance during the year		Note
				Shares	Carrying value	Percentage of ownership (%)	Fair value	Shares	Percentage of ownership (%)	
The Company	Geo Things Inc.	-	Financial assets at fair value through profit or loss-non-current	200	-	4.17 %	-	200	7.14 %	
"	AirHop Communication, Inc.	-	"	1,152	-	4.60 %	-	1,152	4.60 %	
"	Adant Technologies Inc.	-	"	349	-	4.93 %	-	349	4.93 %	
"	IOT Eye, Inc.	-	"	60	-	13.75 %	-	60	13.75 %	
"	TIEF Fund, L.P.	-	"	-	46,379	7.49 %	46,379	-	7.49 %	
"	Chimei Motor Electronic Co Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	1,650	46,150	4.93 %	46,150	1,650	7.17 %	
"	Golden Smart home Technology Corp.	-	"	1,229	-	5.61 %	-	1,229	6.14 %	

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

Unit: In thousand dollars of TWD

Name of company	Name of property	Transaction date (Note 1)	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
Arcadyan Vietnam	Plant, mechanical and electrical equipment	May 5, 2022	Estimated the maximum limit of 1,437,610	657,737	DONG HUI CO., LTD and THANH NGUYEN DUC CONSTRUCTION AND TRADING CO., LTD	None	Not applicable	Not applicable	Not applicable	Not applicable	Price comparison and negotiation	Operation use	None

Note 1: In order to meet the operational needs, the Board of Directors of Arcadyan Vietnam resolved on May 5, 2022, to authorize the chairman of the Board to expand the plant in the maximum limit of USD48,000. The total contract amount is expected to be \$1,437,610 (VND1,118,763 million).

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

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

Unit: In thousand dollars of TWD

Name of company	Counter party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/(sales)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Arcadyan Germany	Subsidiary	(Sales)	(1,226,274)	(3)%	Net 150 days from delivery	-	-	597,274	6 %	Note 3
"	Arcadyan USA	"	(Sales)	(16,685,476)	(36)%	Net 120 days from delivery	-	-	4,102,435	39 %	Note 3
"	Arcadyan AU	"	(Sales)	(1,135,329)	(2)%	Net 60 days from the end of the month of delivery	-	-	281,293	3 %	Note 3
"	CNC	"	Purchases	11,854,935	16 %	Net 120 days from delivery	According to cost plus pricing	-	(3,011,224)	(24)%	Note 1、3
"	Arcadyan Vietnam	"	Purchases	3,412,391	5 %	Net 180 days from the end of the month of delivery	"	-	Note 2	- %	Note 1、3
"	Compal Electronics, INC.	Parent company of the Company	Purchases	4,736,735	6 %	Net 60 days from the end of the month of delivery	-	-	(1,451,984)	(12)%	-
CNC	The Company	Parent company	(Sales)	(11,854,935)	(100)%	Net 120 days from delivery	According to cost plus pricing	-	3,011,224	98 %	Note 1、3
Arcadyan Vietnam	The Company	Parent company	(Sales)	(3,412,391)	(100)%	Net 180 days from the end of the month of delivery	"	-	Note 2	- %	Note 1、3
Arcadyan Germany	The Company	Parent company	Purchases	1,226,274	100 %	Net 150 days from delivery	-	-	(597,274)	(100)%	Note 3
Arcadyan USA	"	"	Purchases	16,685,476	100 %	Net 120 days from delivery	-	-	(4,102,435)	(100)%	Note 3
Arcadyan AU	"	"	Purchases	1,135,329	100 %	Net 60 days from the end of the month of delivery	-	-	(281,293)	(100)%	Note 3

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

Note 2: As of December 31, 2022, the other receivables were amounted to \$1,000,854.

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

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

Unit: In thousand dollars of TWD

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note 3)	Allowance for bad debts
					Amount	Action taken		
The Company	Arcadyan USA	Subsidiary	4,102,435	5.45	-	-	2,632,307	-
"	Arcadyan Vietnam	"	1,000,854 (Note 2)	(Note 2)	-	-	-	-
"	Arcadyan AU	"	281,293	7.45	-	-	188,344	-
"	Arcadyan Germany	"	597,274	2.84	-	-	236,699	-
CNC	The Company	Parent company	3,011,224 (Note 1)	4.70	-	-	655,717	-
TTI	TCH	Subsidiary of TTI	268,851 (Note 2)	(Note 2)	-	-	-	-

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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

Note 3: Balance as of March 3, 2023.

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

(x) Business relationships and significant intercompany transactions:

Unit: In thousands dollars of TWD

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
0	The Company	Arcadyan Germany	1	Sales Revenue	1,226,274	There is no significant difference of price between general customers'. The credit period is net 150 days from delivery.	2.60 %
"	"	"	1	Accounts Receivable	597,274	"	1.49 %
"	"	Arcadyan USA	1	Sales Revenue	16,685,476	There is no significant difference of price between general customers'. The credit period is net 120 days from delivery.	35.37 %
"	"	"	1	Accounts Receivable	4,102,435	"	10.25 %
"	"	Arcadyan AU	1	Sales Revenue	1,135,329	There is no significant difference of price between general customers'. The credit period is net 60 days from the end of the month of delivery.	2.41 %
"	"	"	1	Accounts Receivable	281,293	"	0.70 %
"	"	Arcadyan Vietnam	1	Other Receivable	1,000,854	The credit period is net 180 days from the end of the month of delivery and depended on funding demand.	2.50 %
1	CNC	The Company	2	Processing Revenue	11,854,935	The price is based on the operating cost-plus. The credit period is net 120 days from delivery and depended on funding demand.	25.13 %
"	"	"	2	Accounts Receivable	3,011,224	"	7.52 %
2	Arcadyan Vietnam	The Company	2	Processing Revenue	3,412,391	The credit period is net 180 days from the end of the month of delivery and depended on funding demand.	7.23 %

Note 1: The numbers filled in as follows:

1.0 represents the Company.

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

Note 2: Transactions labeled as follows:

1 represents transactions between the parent company and its subsidiaries.

2 represents transactions between the subsidiaries and the parent company.

3 represents transactions between subsidiaries.

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2022 (excluding information on investees in Mainland China):

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

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			The highest holdings in the period		Net Income (Losses) of the Investee	Share of Income (losses) of the Investee	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value	Shares	Percentage of Ownership			
The Company	Arcadyan Holding	British Virgin Islands	Investment activities	1,701,027	2,219,782	47,780	100%	1,804,421	64,780	100 %	(45,949)	(257,561)	Note 2、4、7
The Company	Arcadyan USA	USA	Selling and technical support of wireless networking products	23,055	23,055	1	100%	79,312	1	100 %	(63,692)	(63,692)	Note 2、4
The Company	Arcadyan Germany	Germany	Selling and technical support of wireless networking products	1,125	1,125	0.5	100%	87,814	0.5	100 %	7,152	7,152	"
The Company	Arcadyan Korea	Korea	Selling of wireless networking products	2,879	2,879	20	100%	24,216	20	100 %	11,167	11,167	"
The Company and ZHI-BAO	Arcadyan Brasil	Brazil	Selling of wireless networking products	81,593	81,593	968	100%	(41,645)	968	100 %	(23,669)	(23,669)	"
The Company	ZHI-BAO	Hsinchu City	Investment activities	48,000	48,000	34,980	100%	405,516	34,980	100 %	(10,735)	(10,735)	"
The Company	TTI	Taipei City	Research and development, and selling digital home appliance	308,726	308,726	25,028	61%	205,272	25,028	61 %	(256,058)	(156,306)	"
The Company	AcBel Telecom	Taipei City	Investment activities	-	23,000	-	-%	-	4,494	51 %	3,365	1,718	Note 5
The Company	Arcadyan UK	England	Technical support of wireless networking products	1,988	1,988	50	100%	4,759	50	100 %	572	572	Note 2、4
The Company	Arcadyan AU	Australia	Selling of wireless networking products	1,161	1,161	50	100%	61,405	50	100 %	18,089	18,089	"
The Company	Arcadyan RU	Russia	Selling of wireless networking products	7,672	7,672	-	100%	4,964	-	100 %	(1,713)	(1,713)	"
The Company	CBN	Hsinchu County	Manufacturing and selling of broadband network products	11,925	11,925	533	1%	11,898	533	1 %	(57,588)	(450)	Note 3
The Company and ZHI-BAO	Arcadyan India	India	Selling of wireless networking products	29,110	13,507	7,500	100%	23,337	7,500	100 %	(4,001)	(4,001)	Note 2、4、6
Arcadyan Holding	Sinoprime	British Virgin Islands	Investment activities	892,126 (USD29,050)	892,126 (USD29,050)	29,050	100%	1,223,179 (USD39,830)	29,050	100 %	267,559 (USD8,977)	Investment gain(losses) recognized by Arcadyan Holding	Note 2、4
"	Arch Holding	British Virgin Islands	Investment activities	338,148 (USD11,011)	338,148 (USD11,011)	35	100%	827,635 (USD26,950)	35	100 %	(323,027) (USD(10,838))	"	"
Sinoprime	Arcadyan Vietnam	Vietnam	Manufacturing of wireless networking products	890,590 (USD29,000)	890,590 (USD29,000)	-	100%	1,218,634 (USD39,682)	-	100 %	267,530 (USD8,976)	Investment gain (losses) recognized by Sinoprime	"
TTI	Quest	Samoa	Investment activities	36,852 (USD1,200)	36,852 (USD1,200)	1,200	100%	(230,523)	1,200	100 %	(142,972)	Investment gain (losses) recognized by TTI	"
TTI	TTJC	Japan	Selling digital home appliance	9,626	9,626	0.7	100%	3,297	0.7	100 %	(499)	"	"
Quest	Exquisite	Samoa	Investment activities	35,931 (USD1,170)	35,931 (USD1,170)	1,170	100%	(232,168) (USD(7,560))	1,170	100 %	(142,975) (USD(4,797))	Investment gain(losses) recognized by Quest	"
ZHI-BAO	CBN	Hsinchu County	Manufacturing and selling of broadband network products	36,272	36,272	13,140	19.32%	293,202	13,140	19.32 %	(57,588)	Investment gain(losses) recognized by ZHI-BAO	Note 3

Note 1: The amounts in New Taiwan Dollars were translated at the exchange rate of \$US29.805 based on the average exchange rate for net income (losses) of the investees, others were translated at the exchange rate of \$US30.71 based on the reporting date.

Note 2: The Group has owner control.

Note 3: The Group has significant influence.

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

Note 5: The liquidation procedures of the subsidiary had been completed on August 19, 2022.

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

Note 7: The subsidiary was reduced capital at the amount of USD17,000 on September 21, 2022.

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(c) Information on investment in mainland China:

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

(In thousand dollars of TWD and USD)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of the investee	Percentage of ownership	Highest balance during the year		Investment income (losses)	Book value	Accumulated remittance of earnings in current period	Note
					Outflow	Inflow				Shares	Percentage of ownership (%)				
SVA	Research and sale of wireless networking products	248,751 (USD8,100)	Note 1	(Note 4) 412,128 (USD13,420)	-	-	412,128 (USD13,420)	6,199 (USD208)	100%	-	100%	6,199 (USD208)	35,040 (USD1,141)	-	Note 3
CNC	Manufacturing of wireless networking products	382,340 (USD12,450)	"	(Note 5) 338,148 (USD11,011)	-	-	338,148 (USD11,011)	(323,027) (USD10,838)	100%	-	100%	(323,027) (USD10,838)	827,635 (USD26,950)	-	"
TCH	Manufacturing of digital home appliance products	102,879 (USD3,350)	Notes 1 and 6	35,317 (USD1,150)	-	-	35,317 (USD1,150)	(142,975) (USD4,797)	100%	-	100%	(142,975) (USD4,797)	(232,690) (USD7,577)	-	"

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

Note 2: The amounts in New Taiwan Dollars were translated at the exchange rate of \$US29.805 based on the average exchange rate for net income (losses) of the investees, others were translated at the exchange rate of \$US30.71 based on the reporting date.

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

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

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

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

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment in Mainland China by Investment Commission, MOEA
785,593 (USD25,581)	785,593 (USD25,581)	8,284,344

Note: The amounts in TWD were translated at the exchange rate of \$30.71 on December 31, 2022.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China for the year ended December 31, 2022, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions" and "Business relationships and significant intercompany transactions".

(d) Major shareholders:

Unit: Share

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

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(14) Segment information:**

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

(a) Geographic information

Stated below are the geographic information on the Group's sales presented by location of customers and non-current assets presented by location of the assets.

(i) Revenue from external customers: Please refer to note (6)(v).

(ii) Non-current assets:

<u>Country</u>	<u>2022</u>	<u>2021</u>
Vietnam	\$ 2,605,566	1,445,314
Taiwan	2,235,127	2,290,898
Mainland China	745,937	842,677
Others	<u>1,124</u>	<u>976</u>
	<u>\$ 5,587,754</u>	<u>4,579,865</u>

Non-current assets include plant, property, and equipment, intangible assets, right of use assets and other assets, excluding deferred tax assets and financial assets.

(b) Major customers information

	<u>2022</u>	<u>2021</u>
Customer:		
L Company	\$ 9,159,566	696,194
J Company	4,316,298	5,330,643
K Company	<u>2,591,200</u>	<u>6,011,031</u>
	<u>\$ 16,067,064</u>	<u>12,037,868</u>