

**ARCADYAN TECHNOLOGY CORPORATION AND
SUBSIDIARIES**

Consolidated Financial Statements

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

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

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Independent Auditors' Review Report

To the Board of Directors of Arcadyan Technology Corporation:

Introduction

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

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with the Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note (4)(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$1,537,313 thousand and \$504,530 thousand, constituting 4% and 1% of consolidated total assets as of June 30, 2023 and 2022, respectively, total liabilities amounting to \$536,614 thousand and \$193,012 thousand, constituting 3% and 1% of consolidated total liabilities as of June 30, 2023 and 2022, respectively, and total comprehensive income amounting to \$15,786 thousand, \$(4,549) thousand, \$33,724 thousand and \$(2,404) thousand, constituting 2%, (1)%, 3% and 0% of consolidated total comprehensive income for the three months and six months ended June 30, 2023 and 2022, respectively.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Arcadyan Technology Corporation and its subsidiaries as of June 30, 2023 and 2022, and of its consolidated financial performance for the three months and six months ended June 30, 2023 and 2022, as well as its consolidated cash flows for the six months ended June 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)

August 1, 2023

Notes to Readers

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

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

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

Consolidated Statement of Comprehensive Income

For the three months and six months ended June 30, 2023 and 2022

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

	For the three months ended June 30,				For the six months ended June 30,				
	2023		2022		2023		2022		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenues (notes (6)(d) and (w)):								
	\$ 12,138,254	100	10,888,197	100	23,159,392	100	21,187,876	100	
5000	Operating costs (notes (6)(f), (r), (7) and (12))								
	10,412,126	86	9,384,932	86	19,866,892	86	18,269,869	86	
	Gross profit from operating								
	1,726,128	14	1,503,265	14	3,292,500	14	2,918,007	14	
	Operating expenses (notes (6)(r), (7) and (12)):								
6100	Selling expenses	170,459	1	277,609	3	335,230	1	537,662	3
6200	Administrative expenses	144,231	1	121,793	1	276,142	1	247,760	1
6300	Research and development expenses	722,510	6	596,284	5	1,300,023	6	1,148,786	5
	Total operating expenses	1,037,200	8	995,686	9	1,911,395	8	1,934,208	9
	Net operating income	688,928	6	507,579	5	1,381,105	6	983,799	5
	Non-operating income and expenses:								
7100	Interest income	42,267	-	16,498	-	72,501	-	30,975	-
7020	Other gains or losses	3,435	-	(2,211)	-	11,258	-	3,576	-
7230	Foreign exchange gains, net (note (6)(y))	110,643	-	37,044	-	133,664	-	85,750	-
7635	Loss on financial assets (liabilities) at fair value through profit or loss (notes (6)(b) and (d))	(38,845)	-	(1,285)	-	(50,437)	-	(25,901)	-
7770	Share of loss of associates and joint ventures accounted for using equity method (note (6)(g))	(19,754)	-	(1,860)	-	(33,494)	-	(1,594)	-
7510	Interest expense (notes (6)(o) and (p))	(33,125)	-	(21,881)	-	(107,119)	-	(35,110)	-
	Total non-operating income and expenses	64,621	-	26,305	-	26,373	-	57,696	-
	Income before tax	753,549	6	533,884	5	1,407,478	6	1,041,495	5
7950	Less: Income tax expenses (note (6)(s))	184,154	1	140,183	1	342,044	1	272,481	1
	Net income	569,395	5	393,701	4	1,065,434	5	769,014	4
8300	Other comprehensive income:								
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss								
8316	Unrealized (losses) gains from investments in equity instruments measured at fair value through other comprehensive income (note (6)(c))	(5,099)	-	1,369	-	(5,181)	-	32,373	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(s))	-	-	-	-	-	-	-	-
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	(5,099)	-	1,369	-	(5,181)	-	32,373	-
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements	78,511	-	103,405	1	56,491	-	181,705	1
8368	Gains on hedging instrument (note (6)(d))	21,740	-	22,591	-	42,426	-	56,591	-
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))	48	-	(34)	-	67	-	(7)	-
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note (6)(s))	4,348	-	(4,342)	-	8,485	-	11,318	-
	Components of other comprehensive income that will be reclassified to profit or loss	95,951	-	130,304	1	90,499	-	226,971	1
8300	Other comprehensive income	90,852	-	131,673	1	85,318	-	259,344	1
	Total comprehensive income	\$ 660,247	5	525,374	5	1,150,752	5	1,028,358	5
	Net income, attributable to:								
	Owners of parent	\$ 575,384	5	427,401	4	1,071,999	5	817,226	4
8620	Non-controlling interests	(5,989)	-	(33,700)	-	(6,565)	-	(48,212)	-
		\$ 569,395	5	393,701	4	1,065,434	5	769,014	4
	Comprehensive income attributable to:								
	Owners of parent	\$ 662,981	5	561,954	5	1,154,830	5	1,080,538	5
	Non-controlling interests	(2,734)	-	(36,580)	-	(4,078)	-	(52,180)	-
		\$ 660,247	5	525,374	5	1,150,752	5	1,028,358	5
	Earnings per share (note (6)(v))								
9750	Basic earnings per share	\$ 2.61		1.95		4.86		3.76	
9850	Diluted earnings per share	\$ 2.59		1.93		4.81		3.67	

See accompanying notes to consolidated financial statements.

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

Consolidated Statement of Changes in Equity
For the six months ended June 30, 2023 and 2022
(Expressed in thousand dollars of TWD)

	Equity attributable to owners of parent						Total other equity interest							
	Retained earnings					Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Unearned employee benefit	Total other equity interest	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings									
Balance at January 1, 2022	\$ 2,164,926	4,032,400	1,152,791	196,919	5,389,173	6,738,883	(243,747)	(23,331)	-	(13,030)	(280,108)	12,656,101	267,012	12,923,113
Net income for the six months ended June 30, 2022	-	-	-	-	817,226	817,226	-	-	-	-	-	817,226	(48,212)	769,014
Other comprehensive income for the six months ended June 30, 2022	-	-	-	-	-	-	185,666	32,373	45,273	-	263,312	263,312	(3,968)	259,344
Comprehensive income for the six months ended June 30, 2022	-	-	-	-	817,226	817,226	185,666	32,373	45,273	-	263,312	1,080,538	(52,180)	1,028,358
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	177,876	-	(177,876)	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	70,159	(70,159)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,260,956)	(1,260,956)	-	-	-	-	-	(1,260,956)	-	(1,260,956)
Cash dividends from capital surplus	-	(217,406)	-	-	-	-	-	-	-	-	-	(217,406)	-	(217,406)
Convertible bonds converted into ordinary shares	38,920	281,014	-	-	-	-	-	-	-	-	-	319,934	-	319,934
Changes in equity of associates and subsidiaries accounted for using equity method	-	3,057	-	-	-	-	-	-	-	-	-	3,057	-	3,057
Share-based payment transactions	(303)	303	-	-	-	-	-	-	-	9,772	9,772	9,772	-	9,772
Balance at June 30, 2022	\$ 2,203,543	4,099,368	1,330,667	267,078	4,697,408	6,295,153	(58,081)	9,042	45,273	(3,258)	(7,024)	12,591,040	214,832	12,805,872
Balance at January 1, 2023	\$ 2,203,543	4,091,729	1,330,667	267,078	5,916,436	7,514,181	39,384	(3,350)	(38,247)	-	(2,213)	13,807,240	132,021	13,939,261
Net income for the six months ended June 30, 2023	-	-	-	-	1,071,999	1,071,999	-	-	-	-	-	1,071,999	(6,565)	1,065,434
Other comprehensive income for the six months ended June 30, 2023	-	-	-	-	-	-	54,071	(5,181)	33,941	-	82,831	82,831	2,487	85,318
Comprehensive income for the six months ended June 30, 2023	-	-	-	-	1,071,999	1,071,999	54,071	(5,181)	33,941	-	82,831	1,154,830	(4,078)	1,150,752
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	203,625	-	(203,625)	-	-	-	-	-	-	-	-	-
Special reserve reversed	-	-	-	(264,865)	264,865	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,211,949)	(1,211,949)	-	-	-	-	-	(1,211,949)	-	(1,211,949)
Cash dividends from capital surplus	-	(220,354)	-	-	-	-	-	-	-	-	-	(220,354)	-	(220,354)
Changes in equity of associates and subsidiaries accounted for using equity method	-	651	-	-	-	-	-	-	-	-	-	651	-	651
Balance at June 30, 2023	\$ 2,203,543	3,872,026	1,534,292	2,213	5,837,726	7,374,231	93,455	(8,531)	(4,306)	-	80,618	13,530,418	127,943	13,658,361

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 six months ended June 30, 2023 and 2022
(Expressed in thousand dollars of TWD)

	For the six months ended June 30,	
	2023	2022
Cash flows from (used in) operating activities:		
Income before tax	\$ 1,407,478	1,041,495
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	388,906	320,254
Amortization expense	26,588	24,140
Expected credit (gains) losses	(6,787)	8,928
Interest expense	107,119	35,110
Interest income	(72,501)	(30,975)
Net loss on financial assets or liabilities at fair value through profit or loss	(9,453)	(13,279)
Share-based payment transactions	-	9,772
Share of loss of associates and joint ventures accounted for using equity method	33,494	1,594
(Gains) losses on disposal of property, plant, equipment and intangible assets	(1,058)	10,074
Lease modification benefits	(167)	(2,656)
Others	1,524	(404)
Total adjustments to reconcile profit (loss)	467,665	362,558
Changes in operating assets and liabilities:		
Changes in financial assets or liabilities at fair value through profit or loss	4,909	40,886
Decrease (increase) in notes and accounts receivable	2,275,912	(28,459)
Decrease in other receivables	20,325	15,428
Decrease in inventories	1,055,193	463,186
Decrease (increase) in prepayments	62,351	(22,458)
Increase in other current assets	(63,121)	(52,308)
Decrease in accounts payable (including related parties)	(3,201,271)	(322,599)
Increase in other payables and other current liabilities	569,896	537,528
Decrease in other operating liabilities	(1,118)	(1,293)
Total changes in operating assets and liabilities	723,076	629,911
Total adjustments	1,190,741	992,469
Cash inflow generated from operations	2,598,219	2,033,964
Interest received	75,724	30,556
Dividends received	6,836	13,673
Interest paid	(127,451)	(20,888)
Income taxes paid	(672,708)	(394,768)
Net cash flows from operating activities	1,880,620	1,662,537
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(745,856)	(541,342)
Proceeds from disposal of property, plant and equipment	8,891	34,688
Proceeds from disposal of right-of-use assets	-	40,541
(Increase) decrease in refundable deposits	(12,592)	50,244
Acquisition of intangible assets	(8,915)	(11,357)
Decrease (increase) in other non-current assets	95	(2,745)
Net cash flows used in investing activities	(758,377)	(429,971)
Cash flows from (used in) financing activities:		
(Decrease) increase in short-term borrowings	(4,059,562)	2,542,764
Repayments of bonds	-	(7,400)
Increase in long-term borrowings	1,292,296	-
Repayments of long-term borrowings	(611,002)	-
Repayments of lease principal	(45,600)	(44,881)
Other financing activities	375	3,372
Net cash flows from (used in) financing activities	(3,423,493)	2,493,855
Effect of exchange rate changes on cash and cash equivalents	(2,712)	77,216
Net (decrease) increase in cash and cash equivalents	(2,303,962)	3,803,637
Cash and cash equivalents at beginning of period	7,579,551	7,970,779
Cash and cash equivalents at end of period	\$ 5,275,589	11,774,416

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

June 30, 2023 and 2022

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

(1) Company history

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

The consolidated financial statements of the Company as of June 30, 2023 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Company’s interest in associates. The Company is primarily engaged in the research, development, manufacture and sale of wireless networking products, integrated access devices, digital home multimedia appliances, mobile broadband products and wireless audio and video products. Please refer to note (4)(b) for related information of the Group primary business activities.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on August 1, 2023.

(3) New standards, amendments and interpretations adopted:

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2023:

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	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. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments ¹ , 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. 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.	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”
- Amendments to IFRS16 “Requirements for Sale and Leaseback Transactions”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IAS12 “International Tax Reform – Pillar Two Model Rules”

(4) Summary of significant accounting policies:

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Presentation of Financial Reports by Securities issuers (hereafter referred to as the Regulations) and the guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by the FSC. These consolidated financial statements do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to as the IFRS endorsed by the FSC) for a complete set of the annual financial statements.

Except as described in the following paragraph, the significant accounting policies used in the interim financial statement are consistent with the consolidated financial statement for the year ended December 31, 2022. For the related information, please refer to note (4) of the consolidated financial statements for the year ended December 31, 2022.

(b) Basis of consolidation

(i) 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>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>	
The Company	Arcadyan Technology N.A. Corp. (“Arcadyan USA”)	Selling and technical support of wireless networking products	100 %	100 %	100 %	
”	Arcadyan Germany Technology GmbH (“Arcadyan Germany”)	Selling and technical support of wireless networking products	100 %	100 %	100 %	Note 1
”	Arcadyan Technology Corporation Korea (“Arcadyan Korea”)	Selling of wireless networking products	100 %	100 %	100 %	Note 1
”	Arcadyan Holding (BVI) Corp. (“Arcadyan Holding”)	Investment activities	100 %	100 %	100 %	

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Name of Subsidiary	Nature of operation	Percentage ownership			Description
			June 30, 2023	December 31, 2022	June 30, 2022	
The Company and ZHI-BAO	Arcadyan do Brasil Ltda. (“Arcadyan Brasil”)	Selling of wireless networking products	100 %	100 %	100 %	Note 1
”	Arcadyan India Private Limited (“Arcadyan India”)	Selling of wireless networking products	100 %	100 %	100 %	Note 1
The Company	ZHI-BAO Technology Inc. (“ZHI-BAO”)	Investment activities	100 %	100 %	100 %	
”	Tatung Technology Inc. (“TTI”)	Research and development, and selling digital home appliance	61 %	61 %	61 %	
”	AcBel Telecom Inc. (“AcBel Telecom”)	Investment activities	- %	- %	51 %	Note 1、2
”	Arcadyan Technology Limited (“Arcadyan UK”)	Technical support of wireless networking products	100 %	100 %	100 %	Note 1
”	Arcadyan Technology Australia Pty Ltd (“Arcadyan AU”)	Selling of wireless networking products	100 %	100 %	100 %	Note 1
”	Arcadyan Technology Corporation (Russia), LLC (“Arcadyan RU”)	Selling of wireless networking products	100 %	100 %	100 %	Note 1
Arcadyan Holding	Sinoprime Global Inc. (“Sinoprime”)	Investment activities	100 %	100 %	100 %	
”	Arcadyan Technology (Shanghai) Corp. (“SVA”)	Research and development, and selling of wireless networking products	100 %	100 %	100 %	
”	Arch Holding (BVI) Corp. (“Arch Holding”)	Investment activities	100 %	100 %	100 %	
Arch Holding	Compal Networking (Kunshan) Co., Ltd. (“CNC”)	Manufacturing of wireless networking products	100 %	100 %	100 %	
Sinoprime	Arcadyan Technology (Vietnam) Co., Ltd. (“Arcadyan Vietnam”)	Manufacturing of wireless networking products	100 %	100 %	100 %	
TTI	Quest International Group Co., Ltd. (“Quest”)	Investment activities	100 %	100 %	100 %	
TTI	Tatung Technology of Japan Co., Ltd. (“TTJC”)	Selling of digital home appliance	100 %	100 %	100 %	
Quest	Exquisite Electronic Co., Ltd. (“Exquisite”)	Investment activities	100 %	100 %	100 %	
Exquisite	Tatung Home Appliances (Wujiang) Co., Ltd. (“TCH”)	Manufacturing of digital home appliance	100 %	100 %	100 %	

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

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Income Taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, "Interim Financial Reporting".

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period using the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(d) Employee benefits

The pension cost for the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-time events.

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

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

The preparation of the consolidated interim financial statements, major judgements, estimates and underlying assumptions which are in conformity with note (5) of the consolidated financial statements for the year ended December 31, 2022.

(6) Explanation of significant accounts:

Except for the following disclosures, there were no significant differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2022 annual consolidated financial statements. Please refer to note (6) of the 2022 annual consolidated financial statements.

(a) Cash and cash equivalents

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Cash on hand	\$ 4,132	2,738	2,356
Checking accounts and demand deposits	2,453,919	2,522,308	4,533,282
Time deposits	717,538	3,804,505	7,238,778
Repurchase agreements	<u>2,100,000</u>	<u>1,250,000</u>	<u>-</u>
	<u>\$ 5,275,589</u>	<u>7,579,551</u>	<u>11,774,416</u>

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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Please refer to note (6)(y) for the interest rate risk and the fair value sensitivity analysis of the financial assets and liabilities of the Group.

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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Current financial assets mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging:			
Foreign exchange forward contracts	\$ <u>11,587</u>	<u>187</u>	<u>27,458</u>
Non-current financial assets mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets:			
Fund unlisted on domestic or foreign markets	\$ <u>55,832</u>	<u>46,379</u>	<u>50,754</u>
Held-for-trading financial liabilities:			
Derivative instruments not used for hedging:			
Foreign exchange forward contracts	\$ 8,765	30,795	270
Foreign exchange swaps contracts	<u>38,339</u>	<u>-</u>	<u>49,950</u>
Total	\$ <u>47,104</u>	<u>30,795</u>	<u>50,220</u>

The Group uses derivative financial instruments to hedge the certain foreign exchange risk the Group is exposed to, arising from its operating activities. As of June 30, 2023, December 31 and June 30, 2022, the derivative instruments, without the application of hedge accounting, classified as financial assets mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities were as follows:

	<u>June 30, 2023</u>		
	<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity date</u>
Derivative financial assets:			
Forward contracts:			
Foreign exchange forward	EUR 36,000	Sell EUR / USD	July 14, 2023~October 13, 2023
Foreign exchange forward	USD 1,000	Buy USD / BRL	November 10, 2023

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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June 30, 2023			
	Contract amount (in thousands)	Currency	Maturity date
Derivative financial liabilities:			
Forward contracts:			
Foreign exchange forward	USD 6,786	Buy USD / INR	July 14, 2023~ August 30, 2023
Foreign exchange forward	EUR 26,000	Sell EUR / USD	July 14, 2023~ September 28, 2023
Swap contracts:			
Foreign exchange swaps	USD 63,000	B/S USD / TWD	July 28, 2023~ August 30, 2023
December 31, 2022			
	Contract amount (in thousands)	Currency	Maturity date
Derivative financial assets:			
Forward contracts:			
Foreign exchange forward	EUR 8,000	Sell EUR / USD	May 12, 2023~ June 14, 2023
Foreign exchange forward	USD 512	Buy USD / INR	January 31, 2023
Derivative financial liabilities:			
Forward contracts:			
Foreign exchange forward	EUR 20,000	Sell EUR / USD	January 31, 2023~ April 14, 2023
Foreign exchange forward	EUR 2,000	Sell EUR / TWD	January 31, 2023
June 30, 2022			
	Contract amount (in thousands)	Currency	Maturity date
Derivative financial assets:			
Forward contracts:			
Foreign exchange forward	EUR 18,000	Sell EUR / USD	July 14, 2022~ October 14, 2022
Derivative financial liabilities:			
Forward contracts:			
Foreign exchange forward	USD 800	Buy USD / BRL	August 29, 2022
Swap contracts:			
Foreign exchange swaps	USD 60,000	B/S USD / TWD	July 14, 2022~ September 29, 2022

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Equity investments at fair value through other comprehensive income:			
Stock unlisted on domestic markets	\$ <u>40,969</u>	<u>46,150</u>	<u>58,542</u>

- (i) For the three months and six months ended June 30, 2023 and 2022, unrealized (losses) gains from above-mentioned equity investments measured at fair value were \$(5,099), \$1,369, \$(5,181) and \$32,373, 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 six months ended June 30, 2023 and 2022.
- (iii) Please refer to note (6)(y) for the information of market risk.
- (iv) The Group did not provide any aforementioned financial assets as collaterals.

- (d) Financial assets and liabilities used for hedging

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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Cash flow hedge:			
Financial assets used for hedging:			
Foreign exchange forward contracts	\$ <u>3,098</u>	<u>-</u>	<u>56,591</u>
Financial liabilities used for hedging:			
Foreign exchange forward contracts	\$ <u>8,481</u>	<u>47,809</u>	<u>-</u>

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Cash flow hedge—foreign exchange risk

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

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

		June 30, 2023			
		<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity date</u>	<u>Average strike price</u>
Derivative financial assets used for hedging					
Forward contracts:					
	Foreign exchange forward	EUR 15,000	Sell EUR / USD	July 28, 2023~ December 28, 2023	1.0967
Derivative financial liabilities used for hedging					
Forward contracts:					
	Foreign exchange forward	EUR 6,000	Sell EUR / USD	July 28, 2023~ December 28, 2023	1.0465
		December 31, 2022			
		<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity date</u>	<u>Average strike price</u>
Derivative financial liabilities used for hedging					
Forward contracts:					
	Foreign exchange forward	EUR 65,000	Sell EUR / USD	January 30, 2023~ December 28, 2023	1.0472
		June 30, 2022			
		<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity date</u>	<u>Average strike price</u>
Derivative financial assets used for hedging					
Forward contracts:					
	Foreign exchange forward	EUR 18,000	Sell EUR / USD	July 28, 2022~ September 29, 2022	1.1546

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Cash flow hedge:				
Profit in current period	\$ 14,873	63,549	1,888	97,549
Less: Gains (losses) of adjustments on reclassification from components of other comprehensive income which belongs to net income	(6,867)	40,958	(40,538)	40,958
Net gains recognized in other comprehensive income	<u>\$ 21,740</u>	<u>22,591</u>	<u>42,426</u>	<u>56,591</u>

(iv) For the three months and six months ended June 30, 2023 and 2022, the ineffective portions of cash flow hedge in profit or loss at fair value amounted to \$0, \$31,715, \$0 and \$31,715, respectively, recognized as “gains (losses) on financial assets (liabilities) at fair value through profit or loss”.

(v) For the three months and six months ended June 30, 2023 and 2022, profit or loss of adjustments from reclassification of other equity, deriving from the changes of fair value for hedge instruments, were recognized under operating revenues in statement of comprehensive income.

(e) Notes and accounts receivable

	June 30,	December 31,	June 30,
	2023	2022	2022
Notes receivable from operating activities	\$ -	4,992	28,578
Accounts receivable – measured at amortized cost	7,555,897	10,836,321	7,252,479
Accounts receivable – fair value through other comprehensive income	1,009,504	-	467,850
	8,565,401	10,841,313	7,748,907
Less: allowance for uncollectible accounts	(36,546)	(44,598)	(37,043)
	<u>\$ 8,528,855</u>	<u>10,796,715</u>	<u>7,711,864</u>

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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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 June 30, 2023, December 31 and June 30, 2022 were determined as follows:

June 30, 2023				
Credit rating	Gross carrying amount	Weighted-average ECL rate	Lifetime ECLs	Credit impaired
Level A	\$ 2,224,729	0%	-	No
Level B	5,209,687	0.10%	5,267	No
Level C	1,110,728	1.00%	11,022	No
Level D	-	-	-	-
Level E	<u>20,257</u>	100%	<u>20,257</u>	Yes
Total	<u><u>\$ 8,565,401</u></u>		<u><u>36,546</u></u>	
December 31, 2022				
Credit rating	Gross carrying amount	Weighted-average ECL rate	Lifetime ECLs	Credit impaired
Level A	\$ 2,524,744	0%	-	No
Level B	6,876,702	0.10%	6,923	No
Level C	1,419,845	1.00%	17,653	No
Level D	-	-	-	-
Level E	<u>20,022</u>	100%	<u>20,022</u>	Yes
Total	<u><u>\$ 10,841,313</u></u>		<u><u>44,598</u></u>	
June 30, 2022				
Credit rating	Gross carrying amount	Weighted-average ECL rate	Lifetime ECLs	Credit impaired
Level A	\$ 2,781,508	0%	-	No
Level B	3,557,445	0.10%	3,602	No
Level C	1,390,610	1.00%	14,097	No
Level D	-	-	-	-
Level E	<u>19,344</u>	100%	<u>19,344</u>	Yes
Total	<u><u>\$ 7,748,907</u></u>		<u><u>37,043</u></u>	

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	June 30, 2023	December 31, 2022	June 30, 2022
Overdue 1~30 days	\$ 689,449	1,071,407	537,905
Overdue 31~60 days	250,350	163,112	180,048
Overdue 61~90 days	10,516	129,856	23,580
Overdue 91~180 days	29,999	71,332	15,691
Overdue over 181 days	<u>62,213</u>	<u>28,574</u>	<u>38,683</u>
	<u>\$ 1,042,527</u>	<u>1,464,281</u>	<u>795,907</u>

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

	For the six months ended June 30,	
	2023	2022
Balance at January 1	\$ 44,598	28,152
Impairment loss (reversed) recognized	<u>(8,052)</u>	<u>8,891</u>
Balance at June 30	<u>\$ 36,546</u>	<u>37,043</u>

As of June 30, 2023, December 31 and June 30, 2022, the Group did not provide any aforementioned notes and accounts receivable as collaterals.

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

For the year ended December 31, 2022, the Group has not transferred accounts receivable. As of June 30, 2023, there were unreceived balances of transferred accounts receivable amounted to \$30,517, which were recognized under other receivables. The details of the derecognized account receivables were as follows:

June 30, 2023							
Purchaser	Accounts receivable factored (gross)	Amount Unpaid	Advanced Paid	Amount Recognized in other receivables	Collateral	Amount derecognized	Interest rate
Financial institutions	<u>\$ 305,167</u>	<u>-</u>	<u>274,650</u>	<u>30,517</u>	None	<u>305,167</u>	5.43%~5.99%

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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:

	June 30, 2023	December 31, 2022	June 30, 2022
Raw materials	\$ 2,981,451	2,693,315	6,108,996
Work in progress	463,030	456,966	663,430
Finished goods	10,063,884	11,413,277	5,260,807
	<u>\$ 13,508,365</u>	<u>14,563,558</u>	<u>12,033,233</u>

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

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Cost of sales and expenses	\$ 10,364,374	9,342,899	19,951,676	18,041,903
Provision (recovery) for inventory valuation and obsolescence loss	47,752	42,033	(84,784)	227,966
	<u>\$ 10,412,126</u>	<u>9,384,932</u>	<u>19,866,892</u>	<u>18,269,869</u>

(iii) As of June 30, 2023, December 31 and June 30, 2022, the Group did not provide any inventories as collaterals.

(g) Investments accounted for using equity method

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

	June 30, 2023	December 31, 2022	June 30, 2022
Associates	\$ <u>265,489</u>	<u>305,101</u>	<u>311,961</u>

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Aggregate carrying amount of the Group's associates that are individually insignificant	\$ <u>265,489</u>	<u>305,101</u>	<u>311,961</u>

Share of associates attributed to the Group were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Net income (loss) from continuing operations	\$ (19,754)	(1,860)	(33,494)	(1,594)
Other comprehensive income	<u>48</u>	<u>(34)</u>	<u>67</u>	<u>(7)</u>
Total comprehensive income (loss)	<u>\$ (19,706)</u>	<u>(1,894)</u>	<u>(33,427)</u>	<u>(1,601)</u>

- (ii) As of June 30, 2023, December 31 and June 30, 2022, the Group did not provide any investment accounted for using equity method as collaterals.

- (h) Loss control of subsidiaries

There were no changes in the Group's control over its subsidiaries for the six months ended June 30, 2023. However, since one of its subsidiaries, AcBel Telecom, had completed its liquidation process in August, 2022, the Group lost control over it. For related information, please refer to note (6)(h) of the 2022 annual consolidated financial statements.

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group for the six months ended June 30, 2023 and 2022 were as follows:

	Land	Buildings and construction	Machinery and equipment	Research and development equipment	Mold equipment	Leasehold improvement and other equipment	Construction in progress and prepayment for purchase of equipment	Total
Cost:								
Balance at January 1, 2023	\$ 878,978	1,610,550	3,339,657	716,765	243,435	496,364	696,813	7,982,562
Additions	-	1,762	49,836	46,638	11,828	14,507	595,301	719,872
Reclassifications	-	-	27,094	2,797	-	53,498	(83,394)	(5)
Disposals and derecognitions	-	-	(66,370)	(7,205)	(101,849)	(3,642)	-	(179,066)
Effect of movements in exchange rates	-	9,203	17,396	(7)	(782)	1,093	16,328	43,231
Balance at June 30, 2023	<u>\$ 878,978</u>	<u>1,621,515</u>	<u>3,367,613</u>	<u>758,988</u>	<u>152,632</u>	<u>561,820</u>	<u>1,225,048</u>	<u>8,566,594</u>
Balance at January 1, 2022	\$ 878,978	1,512,417	2,484,758	697,267	222,181	462,135	19,129	6,276,865
Additions	-	6,133	423,041	22,029	7,738	23,985	53,908	536,834
Reclassifications	-	7,129	6,176	-	-	7,162	(24,713)	(4,246)
Disposals and derecognitions	-	-	(78,608)	(68,676)	(685)	(23,528)	-	(171,497)
Effect of movements in exchange rates	-	49,632	178,950	5,020	932	12,732	1,079	248,345
Balance at June 30, 2022	<u>\$ 878,978</u>	<u>1,575,311</u>	<u>3,014,317</u>	<u>655,640</u>	<u>230,166</u>	<u>482,486</u>	<u>49,403</u>	<u>6,886,301</u>
Depreciation:								
Balance at January 1, 2023	\$ -	165,507	1,959,147	439,066	197,233	314,541	-	3,075,494
Depreciation	-	23,769	231,483	38,047	13,569	32,858	-	339,726
Reclassifications	-	-	-	-	-	-	-	-
Disposals and derecognitions	-	-	(58,626)	(7,201)	(101,848)	(3,609)	-	(171,284)
Effect of movements in exchange rates	-	659	14,253	(7)	(380)	(307)	-	14,218
Balance at June 30, 2023	<u>\$ -</u>	<u>189,935</u>	<u>2,146,257</u>	<u>469,905</u>	<u>108,574</u>	<u>343,483</u>	<u>-</u>	<u>3,258,154</u>
Balance at January 1, 2022	\$ -	117,853	1,508,894	419,902	182,781	284,922	-	2,514,352
Depreciation	-	22,605	177,948	34,088	10,178	25,825	-	270,644
Reclassifications	-	-	(1,506)	-	-	-	-	(1,506)
Disposals and derecognitions	-	-	(71,371)	(35,165)	(685)	(19,514)	-	(126,735)
Effect of movements in exchange rates	-	638	100,657	1,996	361	7,383	-	111,035
Balance at June 30, 2022	<u>\$ -</u>	<u>141,096</u>	<u>1,714,622</u>	<u>420,821</u>	<u>192,635</u>	<u>298,616</u>	<u>-</u>	<u>2,767,790</u>
Carrying amounts:								
Balance at June 30, 2023	<u>\$ 878,978</u>	<u>1,431,580</u>	<u>1,221,356</u>	<u>289,083</u>	<u>44,058</u>	<u>218,337</u>	<u>1,225,048</u>	<u>5,308,440</u>
Balance at January 1, 2023	<u>\$ 878,978</u>	<u>1,445,043</u>	<u>1,380,510</u>	<u>277,699</u>	<u>46,202</u>	<u>181,823</u>	<u>696,813</u>	<u>4,907,068</u>
Balance at June 30, 2022	<u>\$ 878,978</u>	<u>1,434,215</u>	<u>1,299,695</u>	<u>234,819</u>	<u>37,531</u>	<u>183,870</u>	<u>49,403</u>	<u>4,118,511</u>
Balance at January 1, 2022	<u>\$ 878,978</u>	<u>1,394,564</u>	<u>975,864</u>	<u>277,365</u>	<u>39,400</u>	<u>177,213</u>	<u>19,129</u>	<u>3,762,513</u>

As of June 30, 2023, December 31 and June 30, 2022, the Group did not provide any property, plant and equipment as collaterals.

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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(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 six months ended June 30, 2023 and 2022 were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery Equipment</u>	<u>Vehicles and other</u>	<u>Total</u>
Cost:					
Balance at January 1, 2023	\$ 330,296	345,101	-	26,127	701,524
Additions	-	2,413	-	6,629	9,042
Disposal/Write-off	-	(5,858)	-	(2,116)	(7,974)
Effect of movements in exchange rates	3,872	3,055	-	155	7,082
Balance at June 30, 2023	<u>\$ 334,168</u>	<u>344,711</u>	<u>-</u>	<u>30,795</u>	<u>709,674</u>
Balance at January 1, 2022	\$ 297,707	360,109	81,081	16,530	755,427
Additions	-	16,003	-	7,832	23,835
Disposal/Write-off	-	(40,426)	(81,081)	(3,777)	(125,284)
Effect of movements in exchange rates	21,403	19,628	-	-	41,031
Balance at June 30, 2022	<u>\$ 319,110</u>	<u>355,314</u>	<u>-</u>	<u>20,585</u>	<u>695,009</u>
Depreciation:					
Balance at January 1, 2023	\$ 20,529	176,215	-	11,971	208,715
Depreciation	3,604	40,024	-	5,552	49,180
Disposal/Write-off	-	(1,195)	-	(2,116)	(3,311)
Effect of movements in exchange rates	303	2,149	-	50	2,502
Balance at June 30, 2023	<u>\$ 24,436</u>	<u>217,193</u>	<u>-</u>	<u>15,457</u>	<u>257,086</u>
Balance at January 1, 2022	\$ 11,973	108,727	41,891	6,529	169,120
Depreciation	3,389	42,611	-	3,610	49,610
Disposal/Write-off	-	(17,639)	(41,891)	(3,777)	(63,307)
Effect of movements in exchange rates	972	7,040	-	-	8,012
Balance at June 30, 2022	<u>\$ 16,334</u>	<u>140,739</u>	<u>-</u>	<u>6,362</u>	<u>163,435</u>
Carrying amount:					
Balance on June 30, 2023	<u>\$ 309,732</u>	<u>127,518</u>	<u>-</u>	<u>15,338</u>	<u>452,588</u>
Balance at January 1, 2023	<u>\$ 309,767</u>	<u>168,886</u>	<u>-</u>	<u>14,156</u>	<u>492,809</u>
Balance at June 30, 2022	<u>\$ 302,776</u>	<u>214,575</u>	<u>-</u>	<u>14,223</u>	<u>531,574</u>
Balance at January 1, 2022	<u>\$ 285,734</u>	<u>251,382</u>	<u>39,190</u>	<u>10,001</u>	<u>586,307</u>

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Intangible Assets

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

	<u>Goodwill</u>	<u>Authorization fee</u>	<u>Computer software and others</u>	<u>Total</u>
Carrying amount:				
June 30, 2023	\$ <u>6,556</u>	<u>3,278</u>	<u>65,713</u>	<u>75,547</u>
January 1, 2023	\$ <u>6,556</u>	<u>4,522</u>	<u>82,201</u>	<u>93,279</u>
June 30, 2022	\$ <u>6,556</u>	<u>5,764</u>	<u>89,940</u>	<u>102,260</u>
January 1, 2022	\$ <u>6,556</u>	<u>7,008</u>	<u>101,464</u>	<u>115,028</u>

There were no significant additions, disposals, recognitions and reversals of impairment loss on intangible assets for the six months ended June 30, 2023 and 2022. Information about amortization for the period is disclosed in note (12). Please refer to note (6)(k) of the 2022 annual consolidated financial statements for other related information.

As of June 30, 2023, December 31 and June 30, 2022, the Group did not provide any intangible assets as collaterals.

(l) Short-term borrowings

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Unsecured bank loans	\$ <u>327,020</u>	<u>4,386,582</u>	<u>6,906,344</u>
Unused credit line for short-term borrowings	\$ <u>15,766,210</u>	<u>11,618,524</u>	<u>7,418,338</u>
Annual interest rates	<u>1.77%~5.58%</u>	<u>0.05%~5.58%</u>	<u>0.05%~3.70%</u>

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

(m) Other current liabilities

The details of other current liabilities were as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Temporary receipts–non-recurring engineering revenue and collection on behalf of others	\$ 1,132,915	618,598	717,348
Contract liabilities–advance receipts	388,521	233,766	38,915
Others	<u>28,851</u>	<u>65,654</u>	<u>462,752</u>
	<u>\$ 1,550,287</u>	<u>918,018</u>	<u>1,219,015</u>

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(n) Long-term borrowings

The details of long-term borrowings were as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Unsecured bank loans	\$ 660,801	-	-
Less: current portion	660,801	-	-
Total	<u>\$ -</u>	<u>-</u>	<u>-</u>
Unused credit line for long-term borrowings	<u>\$ 928,652</u>	<u>-</u>	<u>-</u>
Annual interest rates	<u>2.80%~5.28%</u>		

- (i) The loans, with maturity dates from November 2023 to May 2024, were amounted to \$660,801 as of June 30, 2023.
- (ii) As of June 30, 2023, the Group did not provide any assets pledged as collaterals for the bank loan.
- (iii) For the information of the Group's interest risk, foreign currency risk and liquidity risk, please see note (6)(y).

(o) Unsecured convertible bonds payable

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

	June 30, 2023	December 31, 2022	June 30, 2022
Total convertible bonds issued	\$ -	1,000,000	1,000,000
Accumulated converted amount	-	(992,600)	(992,600)
Repayment of bonds payable	-	(7,400)	(7,400)
Balance of bonds payable as of the reporting date	<u>\$ -</u>	<u>-</u>	<u>-</u>
Conversion options included in equity components (recognized as capital surplus – expired stock options)	<u>\$ 361</u>	<u>361</u>	<u>361</u>
	For the three months ended June 30,	For the six months ended June 30,	
	2023	2022	2023
Interest expenses	<u>\$ -</u>	<u>17</u>	<u>-</u>
			<u>763</u>

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (ii) The maturity date of above mentioned convertible bonds was on June 6, 2022. The remaining bonds which were not converted were repaid in cash at maturity with par value of \$7,400 according to the terms of conversion.
- (iii) For the six months ended June 30, 2022, the convertible bonds with a par value of \$321,100 were converted into ordinary shares of the Company with \$38,920 and the capital surplus were recognized with \$296,640 (including the stock options reclassified as additional paid-in capital – premium of \$15,626 and the unamortized discounts on bonds payable of \$1,166).
- (iv) The Group did not issue or repurchase bonds payable for the six months ended June 30, 2023 and 2022. Please refer to note (6)(n) of the 2022 annual consolidated financial statements for related information.
- (p) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Current	\$ <u>83,947</u>	<u>91,055</u>	<u>90,354</u>
Non-current	\$ <u>65,248</u>	<u>104,690</u>	<u>153,066</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Interest expense on lease liabilities	\$ <u>1,714</u>	<u>2,444</u>	<u>3,659</u>	<u>5,279</u>
Expenses relating to short-term leases	\$ <u>4,280</u>	<u>6,033</u>	<u>9,411</u>	<u>14,682</u>

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

	For the six months ended June 30,	
	2023	2022
Total cash outflow for leases	\$ <u>58,670</u>	<u>64,842</u>

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Land, buildings, office and vehicles leases

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

(ii) Other leases

The Group leases 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.

(q) Provisions

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

There were no significant changes in provisions for the six months ended June 30, 2023 and 2022. Please refer to note (6)(p) of the 2022 annual consolidated financial statements for related information.

(r) Employee benefits

(i) Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension plan cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2022 and 2021.

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

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Operating costs	\$ 42	39	89	80
Selling expenses	59	37	117	83
Administrative expenses	88	83	172	167
Research and development expenses	253	196	505	379
	<u>\$ 442</u>	<u>355</u>	<u>883</u>	<u>709</u>

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Defined contribution plans

The pension expenses of the Company and domestic subsidiaries under the pension plan contributed to the Bureau of Labor Insurance for the three months and six months ended June 30, 2023 and 2022 were as follows:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Operating costs	\$ 453	458	922	929
Selling expenses	1,081	1,061	2,151	2,188
Administrative expenses	1,843	1,680	3,667	3,441
Research and development expenses	10,039	9,220	20,105	18,775
	\$ 13,416	12,419	26,845	25,333

Other subsidiaries recognized the pension expenses, basic endowment insurance expenses, and social welfare expenses amounting to \$12,994, \$10,507, \$27,473 and \$29,920 for the three months and six months ended June 30, 2023 and 2022, respectively.

(s) Income taxes

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

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Current income tax expense	\$ 184,154	140,183	342,044	272,481

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

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Items that might be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statements	\$ -	(15,660)	-	-
Gain on hedging instrument	4,348	11,318	8,485	11,318
	\$ 4,348	(4,342)	8,485	11,318

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Examination and approve

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

The Group is closely monitoring the legislative progress related to the implementation of the international tax reforms introducing a global minimum top-up tax.

The International Accounting Standards Board issued amendments to IAS 12 that provide a temporary mandatory exemption from deferred tax accounting treatment for the top-up tax and require new disclosures in the annual financial statements. However, there was no impact on the consolidated financial statements for the six months ended June 30, 2023 until the approval and issuance date.

(t) Capital and other equities

Except for the following disclosures, there was no significant change for capital and other equities for the six months ended June 30, 2023 and 2022. Please refer to note (6)(s) of the 2022 annual consolidated financial statements for related information.

(i) Ordinary shares

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

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

(ii) Capital surplus

	June 30, 2023	December 31, 2022	June 30, 2022
Additional paid-in capital–premium	\$ 3,861,264	4,081,618	4,022,250
Difference between consideration and carry amount arising from acquisition or disposal of subsidiaries	3,698	3,698	3,698
Changes in equity of associates, joint ventures and subsidiaries accounted for using equity method	6,703	6,052	3,057
Expired stock options	361	361	361
Issuance of employee restricted shares	-	-	70,002
	<u>\$ 3,872,026</u>	<u>4,091,729</u>	<u>4,099,368</u>

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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The capital surplus— premium resulted from the conversion of unsecured convertible bonds into ordinary shares for the six months ended June 30, 2022 was \$296,640 (including the stock options reclassified as additional-paid in capital— premium of \$15,626, and the unamortized discounts on bonds payable of \$1,166).

The Company's Board of Directors meeting held on March 14, 2023 and March 10, 2022, approved to distribute the cash dividend of \$220,354 (\$1 per share) and \$217,406 (\$0.98662985 per share) through capital surplus. The related information can be accessed through the Market Observation Post System website.

(iii) Retained earnings

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

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

(iv) Earnings distributed

Earnings distribution plan for 2022 and 2021 were approved by the Board of Directors meeting held on March 14, 2023 and on March 10, 2022, respectively. The relevant dividend distribution to shareholders were as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Amount per share (dollars)</u>	<u>Total amount</u>	<u>Amount per share (dollars)</u>	<u>Total amount</u>
Cash dividends distributed to ordinary shareholders	\$ 5.5	\$ <u><u>1,211,949</u></u>	5.72240092	<u><u>1,260,956</u></u>

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(u) Share-based payment

There were no significant changes in share-based payment for the six months ended June 30, 2023 and 2022. The Company's employee restricted shares have been fully vested in 2022. Please refer to note (6)(t) of the 2022 annual consolidated financial statements for related information.

(v) Earnings per share

The basic earnings per share and diluted earnings per share of the Group are calculated as follows.

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Basic earnings per share:				
Net income attributable to ordinary shareholders of the Company	\$ <u>575,384</u>	<u>427,401</u>	<u>1,071,999</u>	<u>817,226</u>
Weighted-average number of ordinary shares (thousand shares)	<u>220,354</u>	<u>218,910</u>	<u>220,354</u>	<u>217,570</u>
	\$ <u>2.61</u>	<u>1.95</u>	<u>4.86</u>	<u>3.76</u>
Diluted earnings per share:				
Net income attributable to ordinary shareholders of the Company	\$ <u>575,384</u>	<u>427,418</u>	<u>1,071,999</u>	<u>817,989</u>
Weighted-average number of ordinary shares (thousand shares)	220,354	218,910	220,354	217,570
Effect of dilutive potential ordinary shares:				
Effect of remuneration to employees	1,451	1,132	2,682	2,206
Effect of employee restricted shares unvested	-	1,237	-	1,247
Effect of convertible bonds payable	-	252	-	1,604
Weighted-average number of ordinary shares (thousand shares)(after adjustment of potential diluted ordinary shares)	<u>221,805</u>	<u>221,531</u>	<u>223,036</u>	<u>222,627</u>
	\$ <u>2.59</u>	<u>1.93</u>	<u>4.81</u>	<u>3.67</u>

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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(w) Revenue from contracts with customers

(i) Details of revenue

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Primary geographical markets:				
Europe	\$ 4,850,508	3,715,449	9,135,141	8,533,552
America	4,802,422	5,011,187	9,325,524	8,544,309
Asia and others	<u>2,485,324</u>	<u>2,161,561</u>	<u>4,698,727</u>	<u>4,110,015</u>
	<u>\$ 12,138,254</u>	<u>10,888,197</u>	<u>23,159,392</u>	<u>21,187,876</u>
Major products:				
Broadband Solution	4,442,643	2,602,461	7,771,971	5,282,090
Smart Home Solution	4,208,849	3,823,958	7,877,594	8,753,303
Mobility Solution	3,064,015	4,123,998	6,852,566	6,390,265
Others	<u>422,747</u>	<u>337,780</u>	<u>657,261</u>	<u>762,218</u>
	<u>\$ 12,138,254</u>	<u>10,888,197</u>	<u>23,159,392</u>	<u>21,187,876</u>

(ii) Contract balances

	June 30, 2023	December 31, 2022	June 30, 2022
Notes and accounts receivable	\$ 8,565,401	10,841,313	7,748,907
Less: allowance for uncollectible accounts	<u>(36,546)</u>	<u>(44,598)</u>	<u>(37,043)</u>
Total	<u>\$ 8,528,855</u>	<u>10,796,715</u>	<u>7,711,864</u>
Contract liabilities (recognized under other current liabilities)	<u>\$ 388,521</u>	<u>233,766</u>	<u>38,915</u>

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

The amounts of revenue recognized for the six months ended June 30, 2023 and 2022 that were included in the balance of contract liabilities at the beginning of the periods were \$143,008 and \$5,373, respectively.

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(x) Remuneration to employees and directors

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

For the three months and six months ended June 30, 2023 and 2022, the Company accrued and recognized employee remuneration of \$96,360, \$71,871, \$178,482 and \$135,911, and director's remuneration of \$5,056, \$3,954, \$9,472 and \$7,556, respectively. The estimated amounts mentioned above are based on the income before tax prior to deduction of the remuneration to employees and directors of each respective period, multiplied by the percentage of remuneration to employees and directors, which were approved by the management of the Company. The estimations were recorded under operating costs or operating expenses for each period. The differences between the actual amounts and the estimates recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in the distribution year. If the Board of Directors approve to distribute employee remuneration in the form of stock, the number of the shares of the employee remuneration is determined based on the closing price of the day before the Board of Directors meeting.

The Company accrued and recognized its employee remuneration of \$327,896 and \$309,470, and directors' remuneration of \$17,635 and \$16,806 for the years ended December 31, 2022 and 2021, respectively. There were no differences between the amounts approved by the Board of Directors and those recognized in the financial statements, and the related information can be accessed through the Market Observation Post System website.

(y) Financial instruments

Except for those described below, there were no significant changes on fair value, credit risk, liquidity risk and market risk of the Group's financial instruments. Please refer to note (6)(x) of the 2022 annual consolidated financial statements for related information.

(i) Credit risk

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

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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The movement of loss allowance provision for the six months ended June 30, 2023 and 2022 were as follows:

	Other receivables
Balance at January 1, 2023	\$ 528
Impairment loss recognized	1,265
Balance at June 30, 2023	\$ 1,793
Balance at January 1, 2022	\$ 3
Impairment loss recognized	37
Balance at June 30, 2022	\$ 40

(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.

	Carrying Amount	Contractual cash flows	Within 1 year	1 ~ 2 years	Over 2 years
June 30, 2023					
Non-derivative financial liabilities					
Unsecured bank loans (including short-term and long-term borrowings)	\$ 987,821	(987,821)	(987,821)	-	-
Accounts payable (including related parties)	10,979,674	(10,979,674)	(10,979,674)	-	-
Other payables	4,589,697	(4,589,697)	(4,589,697)	-	-
Dividends payable	1,432,333	(1,432,333)	(1,432,333)	-	-
Lease liability – current and non-current	149,195	(154,892)	(88,462)	(63,612)	(2,818)
Deposits received	34,948	(34,948)	(34,948)	-	-
Derivative financial liabilities					
Other foreign exchange forward contracts:	8,765				
Outflow		(1,093,824)	(1,093,824)	-	-
Inflow		1,081,866	1,081,866	-	-
Foreign exchange swaps contracts:	38,339				
Outflow		(1,957,410)	(1,957,410)	-	-
Inflow		1,914,625	1,914,625	-	-
Foreign exchange forward contracts used for hedging:	8,481				
Outflow		(203,520)	(203,520)	-	-
Inflow		195,085	195,085	-	-
	\$ 18,229,253	(18,242,543)	(18,176,113)	(63,612)	(2,818)

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
December 31, 2022					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 4,386,582	(4,386,582)	(4,386,582)	-	-
Accounts payable (including related parties)	14,180,945	(14,180,945)	(14,180,945)	-	-
Other payables	4,807,007	(4,807,007)	(4,807,007)	-	-
Lease liability— current and non-current	195,745	(204,828)	(86,754)	(82,618)	(35,456)
Deposits received	34,607	(34,607)	(34,607)	-	-
Derivative financial liabilities					
Other foreign exchange forward contracts:	30,795				
Outflow		(719,840)	(719,840)	-	-
Inflow		692,176	692,176	-	-
Foreign exchange forward contracts used for hedging:	47,809				
Outflow		(2,126,800)	(2,126,800)	-	-
Inflow		2,090,285	2,090,285	-	-
	<u>\$ 23,683,490</u>	<u>(23,678,148)</u>	<u>(23,560,074)</u>	<u>(82,618)</u>	<u>(35,456)</u>
June 30, 2022					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 6,906,344	(6,906,344)	(6,906,344)	-	-
Accounts payable (including related parties)	9,463,061	(9,463,061)	(9,463,061)	-	-
Other payables (including related parties)	4,179,883	(4,179,883)	(4,179,883)	-	-
Dividends payable	1,478,382	(1,478,382)	(1,478,382)	-	-
Lease liability— current and non-current	243,420	(256,635)	(98,056)	(87,279)	(71,300)
Deposits received	33,192	(33,192)	(33,192)	-	-
Derivative financial liabilities					
Other foreign exchange forward contracts:	270				
Outflow		(24,200)	(24,200)	-	-
Inflow		23,736	23,736	-	-
Foreign exchange swaps contracts:	49,950				
Outflow		(1,780,200)	(1,780,200)	-	-
Inflow		1,731,020	1,731,020	-	-
	<u>\$ 22,354,502</u>	<u>(22,367,141)</u>	<u>(22,208,562)</u>	<u>(87,279)</u>	<u>(71,300)</u>

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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(iii) Market risk

1) Exposure to foreign currency risk

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

Unit: thousands of foreign currency

	June 30, 2023			December 31, 2022			June 30, 2022		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets									
Monetary items									
USD	\$ 500,080	USD/TWD =31.07	15,537,486	749,672	USD/TWD =30.71	23,022,427	762,578	USD/TWD =29.67	22,625,689
EUR	50,106	EUR/TWD =33.92	1,699,596	56,037	EUR/TWD =32.72	1,833,531	57,918	EUR/TWD =31.19	1,806,462
Financial liabilities									
USD	506,368	USD/TWD =31.07	15,732,854	883,557	USD/TWD =30.71	27,134,035	748,945	USD/TWD =29.67	22,221,198
EUR	1,354	EUR/TWD =33.92	45,928	20,859	EUR/TWD =32.72	682,506	34,885	EUR/TWD =31.19	1,088,063
CNY	262,282	CNY/USD =0.138	1,124,576	183,261	CNY/USD =0.144	810,424	100,708	CNY/USD =0.149	445,213

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, accounts payable, long-term borrowings, and other payables that are denominated in foreign currency. The analysis assumes that all other variables remain constant. A strengthening (weakening) 5% of each foreign currency against the functional currency on June 30, 2023 and 2022 would have affected the net income before tax as follows. The analysis is performed on the same basis for both periods.

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
USD (against the TWD)		
Strengthening 5%	\$ (9,768)	20,225
Weakening 5%	9,768	(20,225)
EUR (against the TWD)		
Strengthening 5%	82,683	35,920
Weakening 5%	(82,683)	(35,920)
CNY (against the USD)		
Strengthening 5%	(56,229)	(22,261)
Weakening 5%	56,229	22,261

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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3) Exchange gains and losses of monetary items

As the Group deals with diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three months and six months ended June 30, 2023 and 2022, the net foreign exchange gains (including realized and unrealized portions) amounted to \$110,643, \$37,044, \$133,664 and \$85,750, respectively.

(iv) Interest rate analysis

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

	Carrying amount	
	June 30, 2023	June 30, 2022
Fixed rate financial instrument:		
Financial assets	\$ 2,817,538	7,238,778
Financial liabilities	(987,821)	(6,906,344)
	\$ 1,829,717	332,434
Variable rate financial instrument:		
Financial assets	\$ 2,453,914	4,533,071

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 \$3,067 and \$5,666 for the six months ended June 30, 2023 and 2022, respectively, which would be mainly resulted from the bank deposits with variable interest rates.

(v) Fair value

1) The categories of financial instruments and fair value

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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	June 30, 2023				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss — current and non-current					
Derivative financial assets	\$ 11,587	-	11,587	-	11,587
Non-derivative financial assets mandatorily measured at fair value through profit or loss	<u>55,832</u>	-	-	55,832	55,832
Subtotal	<u>67,419</u>				
Financial assets for hedging	<u>3,098</u>	-	3,098	-	3,098
Financial assets measured at fair value through other comprehensive income					
Stocks unlisted on domestic markets	40,969	-	-	40,969	40,969
Accounts receivable	<u>1,009,504</u>	-	1,009,504	-	1,009,504
Subtotal	<u>1,050,473</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	5,275,589	-	-	-	-
Notes and accounts receivable, net	7,519,351	-	-	-	-
Other receivables	259,159	-	-	-	-
Refundable deposits	<u>102,727</u>	-	-	-	-
Subtotal	<u>13,156,826</u>				
Total	<u>\$ 14,277,816</u>				
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	<u>\$ 47,104</u>	-	47,104	-	47,104
Financial liabilities for hedging	<u>8,481</u>	-	8,481	-	8,481
Financial liabilities measured at amortized cost					
Short-term borrowings	327,020	-	-	-	-
Accounts payable (including related parties)	10,979,674	-	-	-	-
Other payables	4,589,697	-	-	-	-
Dividends payable	1,432,333	-	-	-	-
Long-term borrowings (including current portion)	660,801	-	-	-	-
Lease liabilities—current and non-current	149,195	-	-	-	-
Deposits received	<u>34,948</u>	-	-	-	-
Subtotal	<u>18,173,668</u>				
Total	<u>\$ 18,229,253</u>				

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2022				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss – current and non-current					
Derivative financial assets	\$ 187	-	187	-	187
Non derivative financial assets mandatorily measured at fair value through profit or loss	<u>46,379</u>	-	-	46,379	46,379
Subtotal	<u>46,566</u>				
Financial assets measured at fair value through other comprehensive income					
Stocks unlisted on domestic markets	<u>46,150</u>	-	-	46,150	46,150
Financial assets measured at amortized cost:					
Cash and cash equivalents	7,579,551	-	-	-	-
Notes and accounts receivable, net	10,796,715	-	-	-	-
Other receivables (including related parties)	276,728	-	-	-	-
Refundable deposits	<u>90,135</u>	-	-	-	-
Subtotal	<u>18,743,129</u>				
Total	<u>\$ 18,835,845</u>				
Financial liabilities measured at fair value through profit or loss					
Derivative financial liabilities	<u>\$ 30,795</u>	-	30,795	-	30,795
Financial liabilities for hedging	<u>47,809</u>	-	47,809	-	47,809
Financial liabilities measured at amortized cost					
Short-term borrowings	4,386,582	-	-	-	-
Accounts payable (including related parties)	14,180,945	-	-	-	-
Other payables	4,806,980	-	-	-	-
Dividends payable	27	-	-	-	-
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

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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2) Fair value valuation techniques for financial instruments not measured at fair value

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

a) Financial assets and financial liabilities measured at amortized cost

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

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

a) Non-derivative financial instruments

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

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

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

b) Derivative financial instruments

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

4) Transfers between Level 1 and Level 2

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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5) Reconciliation of Level 3 fair values

	<u>Fair value through profit or loss</u>	<u>Fair value through other comprehensive income</u>
	Non-derivative financial assets mandatorily measured at fair value through profit or loss	Unquoted equity instruments
Balance at January 1, 2023	\$ 46,379	46,150
Total gains and losses recognized		
In profit or loss	9,453	-
In other comprehensive income	-	(5,181)
Balance at June 30, 2023	<u>\$ 55,832</u>	<u>40,969</u>
Balance at January 1, 2022	\$ 37,475	26,169
Total gains and losses recognized		
In profit or loss	13,279	-
In other comprehensive income	-	32,373
Balance at June 30, 2022	<u>\$ 50,754</u>	<u>58,542</u>

For the three months and six months ended June 30, 2023 and 2022, total gains and losses that were included in “gains and losses on financial assets (liabilities) at fair value through profit or loss” and “unrealized gains and losses from investments in equity instruments measured at fair value through other comprehensive income” were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Total gains and losses recognized:				
In profit or loss, and presented in “Gains and losses on financial assets(liabilities) at fair value through profit or loss”	<u>\$ 9,263</u>	<u>11,781</u>	<u>9,453</u>	<u>13,279</u>

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
In other comprehensive income, and presented in “Unrealized gains and losses from investments in equity instruments measured at fair value through other comprehensive income”	\$ (5,099)	1,369	(5,181)	32,373

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

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

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

Quantified information of significant unobservable inputs were as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income—equity investment without an active market	Comparable market approach	<ul style="list-style-type: none"> · Price-Book ratio multiples (1.90~3.33, 1.21~3.77 and 1.30~3.40 on June 30, 2023, December 31 and June 30, 2022, respectively) · Lack-of-Marketability 	<ul style="list-style-type: none"> · The higher the multiple is , the higher the fair value will be. · The higher the Lack-of-Marketability discount rate is, the lower the fair value will be.

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

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

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

	<u>Input</u>	<u>Move up or down</u>	<u>Other comprehensive income</u>	
			<u>Favorable change</u>	<u>Unfavorable change</u>
June 30, 2023				
Financial assets measured at fair value through other comprehensive income	Price-Book ratio multiples	5%	\$ <u>2,091</u>	<u>2,078</u>
	Lack-of-Marketability discount rate	5%	\$ <u>887</u>	<u>887</u>
December 31, 2022				
Financial assets measured at fair value through other comprehensive income	Price-Book ratio multiples	5%	\$ <u>2,323</u>	<u>2,340</u>
	Lack-of-Marketability discount rate	5%	\$ <u>986</u>	<u>990</u>
June 30, 2022				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	\$ <u>2,191</u>	<u>2,172</u>
	Lack-of-Marketability discount rate	5%	\$ <u>936</u>	<u>924</u>

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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8) Offsetting financial assets and financial liabilities

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

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

Unit: In thousand dollars of TWD and USD

June 30, 2023			
Financial assets/liabilities that are offset which have an exercisable master netting arrangement or similar agreement			
	Gross amounts of recognized financial assets/liabilities	Gross amounts of financial assets/liabilities offset in the balance sheet	Net amount of financial assets/liabilities presented in the balance sheet
	(a)	(b)	(c)=(a)-(b)
Cash/short-term borrowings	\$ 6,979,658	6,979,658	-
	(USD 224,643)	(USD 224,643)	
December 31, 2022			
Financial assets/liabilities that are offset which have an exercisable master netting arrangement or similar agreement			
	Gross amounts of recognized financial assets/liabilities	Gross amounts of financial assets/liabilities offset in the balance sheet	Net amount of financial assets/liabilities presented in the balance sheet
	(a)	(b)	(c)=(a)-(b)
Cash/short-term borrowings	\$ 8,525,741	8,525,741	-
	(USD 277,621)	(USD 277,621)	
June 30, 2022			
Financial assets/liabilities that are offset which have an exercisable master netting arrangement or similar agreement			
	Gross amounts of recognized financial assets/liabilities	Gross amounts of financial assets/liabilities offset in the balance sheet	Net amount of financial assets/liabilities presented in the balance sheet
	(a)	(b)	(c)=(a) (b)
Cash/short-term borrowings	\$ 5,276,899	5,276,899	-
	(USD 177,853)	(USD 177,853)	

(Continued)

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(z) Financial risk management

There were no significant changes in the Group's objectives and policies of financial risk management as disclosed in note (6)(y) of the 2022 annual consolidated financial statements.

(aa) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2022. Also, management believes that there were no significant changes in the quantified information of Group's capital management as disclosed in the consolidated financial statements for the year ended December 31, 2022. Please refer to note (6)(z) of the 2022 annual consolidated financial statements for further details.

(ab) Investing and financing activities not affecting cash flow

The Group's investing and financing activities which did not affect the cash flow for the six months ended June 30, 2023 and 2022 were as follows:

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

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2023	Cash flows	Non-cash changes Other	June 30, 2023
Short-term borrowings	\$ 4,386,582	(4,059,562)	-	327,020
Lease liabilities	195,745	(45,600)	(950)	149,195
Long-term borrowings	-	681,294	(20,493)	660,801
Deposits received	34,607	372	(31)	34,948
Total liabilities from financing activities	<u>\$ 4,616,934</u>	<u>(3,423,496)</u>	<u>(21,474)</u>	<u>1,171,964</u>

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

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(7) Related-party transactions:

(a) Parent company and ultimate controlling party

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

(b) Name and relationship with related parties

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

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

(c) Significant related party transactions

(i) Purchases of goods from related parties

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

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Parent company	\$ 82,454	462,973	23,263	823,550
Other related parties	<u>23,547</u>	<u>18,042</u>	<u>43,074</u>	<u>54,601</u>
	<u>\$ 106,001</u>	<u>481,015</u>	<u>66,337</u>	<u>878,151</u>

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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(ii) Other expenditures

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

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Other related parties	\$ 271	310	542	620

(iii) Lease

In April 2019, the Group leased factories and buildings from other related parties – CVC, with a lease term of 3 years, after surveying the market price in neighboring areas. The lease contract had been early terminated on January 31, 2022, and recognized the lease modification benefit of \$174.

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

(iv) Property transaction

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

(v) Payables to related parties

The payables to related parties were as follows:

Account	Related party categories	June 30, 2023	December 31, 2022	June 30, 2022
Accounts payable	Parent company	\$ 83,461	1,451,984	464,833
Accounts payable	Other related parties	43,080	27,754	37,877
		\$ 126,541	1,479,738	502,710

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(d) Transactions with key management personnel

Key management personnel remunerations comprised:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Short-term employee benefits	\$ 32,443	22,757	62,602	44,982
Post-employment benefits	284	253	541	544
Share-based payments	-	845	-	1,689
	<u>\$ 32,727</u>	<u>23,855</u>	<u>63,143</u>	<u>47,215</u>

Please refer to note (6)(u) for further explanations related to share-based payments.

(8) Pledged assets: None

(9) Commitments and contingencies:

- (i) As of June 30, 2023, December 31 and June 30, 2022, the Group has entered into agreements for the construction of its plants, amounted to \$256,455, \$779,873 and \$18,583, respectively, which have yet to be paid.
- (ii) In order to fulfill its contracts on technology licensing, sales agreement, as well as purchase of machinery and equipment, the Group entrusted the banks to issue either letters of guarantee or letters of credit at the amounts of \$211,854, \$146,065 and \$318,337, as of June 30, 2023, December 31 and June 30, 2022, respectively.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

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(12) Other:

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

By function By item	For the three months ended June 30, 2023			For the three months ended June 30, 2022		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	178,291	481,446	659,737	189,860	409,841	599,701
Labor and health insurance	11,798	30,307	42,105	9,987	29,148	39,135
Pension	10,540	16,312	26,852	12,134	15,025	27,159
Others	115,853	15,617	131,470	123,897	13,021	136,918
Depreciation	154,402	41,116	195,518	128,568	38,030	166,598
Amortization	416	12,878	13,294	377	11,545	11,922

By function By item	For the six months ended June 30, 2023			For the six months ended June 30, 2022		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	363,671	926,239	1,289,910	370,477	823,836	1,194,313
Labor and health insurance	25,926	68,833	94,759	18,062	63,501	81,563
Pension	22,221	32,980	55,201	24,700	31,262	55,962
Others	221,831	30,697	252,528	276,603	31,800	308,403
Depreciation	307,921	80,985	388,906	245,308	74,946	320,254
Amortization	907	25,681	26,588	622	23,518	24,140

- (b) Seasonality of operations

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(13) Other disclosure items:

(a) Information on significant transactions:

The followings were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the six months ended June 30, 2023:

(i) Loans to other parties:

Unit: In thousand dollars of TWD/USD

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 2)	Maximum limit of fund financing (Note 2 & 3)	Note
													Item	Value			
0	The Company	Arcadyan do Brasil Ltda	Other receivables	Yes	62,140 (USD2,000)	62,140 (USD2,000)	43,498 (USD1,400)	5%	2	-	Operating demand	-	-	-	2,706,083	5,412,167	The transactions had been eliminated in the consolidated financial statements.
0	"	Arcadyan Technology (Vietnam) Co. Ltd.	"	Yes	304,800 (USD10,000)	-	-	1%	1	14,851,460 (USD478,000)	-	-	-	-	2,706,083	5,412,167	"
0	"	Arcadyan Technology (Vietnam) Co. Ltd.	"	Yes	310,700 (USD10,000)	310,700 (USD10,000)	-	5.5%	1	19,822,660 (USD638,000)	-	-	-	-	2,706,083	5,412,167	"
1	Arcadyan Holding	CNC	"	Yes	1,864,200 (USD60,000)	1,864,200 (USD60,000)	1,553,500 (USD50,000)	5.5%	2	-	Operating demand	-	-	-	3,912,734	3,912,734	"

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

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

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

Note 4: The amounts in New Taiwan Dollars were translated at the exchange rate of \$31.07(USD) based on the reporting 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	1,804,055	233,025 (USD7,500)	233,025 (USD7,500)	-	-	1.72 %	5,412,167	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 June 30, 2023 (excluding investment in subsidiaries, associates and joint ventures):

Unit: In thousand dollars of TWD/thousand shares

Name of holder	Category and name of security	Relationship with security issuer	Account name	Ending balance				Note
				Shares	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Geo Things Inc.	-	Financial assets at fair value through profit or loss-non-current	200	-	4.17 %	-	
"	AirHop Communication, Inc.	-	"	1,152	-	4.60 %	-	
"	Adant Technologies Inc.	-	"	349	-	4.93 %	-	
"	IOT Eye, Inc.	-	"	60	-	13.75 %	-	
"	TIEF Fund, L.P.	-	"	-	55,832	7.49 %	55,832	
"	Chimei Motor Electronic Co Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	1,650	40,969	4.93 %	40,969	
"	Golden Smart home Technology Corp.	-	"	1,229	-	1.99 %	-	

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD300 million or 20% of the capital stock:

(In thousand dollars of TWD)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Others		Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount	Shares	Amount
The Company	Arcadyan Holding	Investments accounted for using equity method	New shares in cash	Subsidiary	47,780	1,804,421	50,000 (note 1)	1,531,200 (note 1)	-	-	-	-	-	273,034 (Note 2)	97,780	3,608,655

Note1: On March 14, 2023, the Board of Directors resolved to increase the capital of Arcadyan Holding in cash amounting to USD 60,000 thousand, of which the amount of USD 50,000 thousand had been remitted as of June 30, 2023.

Note2: Others include investment gains (losses) under equity method, exchange differentials on translation of foreign financial statements, etc.

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

Unit: In thousand dollars of TWD

Name of company	Name of property	Transaction date (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 1,466,719	1,210,264	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 thousand. The total contract amount is expected to be \$1,466,719 (VND1,123,923 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)	(658,422)	(3)%	Net 150 days from delivery	-	-	600,028	7 %	Note 3
"	Arcadyan USA	"	(Sales)	(8,804,752)	(38)%	Net 120 days from delivery	-	-	2,992,706	33 %	Note 3
"	Arcadyan AU	"	(Sales)	(507,202)	(2)%	Net 60 days from the end of the month of delivery	-	-	144,601	2 %	Note 3
"	CNC	"	Purchases	4,095,949	13 %	Net 120 days from delivery	According to cost plus pricing	-	(4,400,387)	(50)%	Note 1、3
"	Arcadyan Vietnam	"	Purchases	1,271,039	4 %	Net 180 days from the end of the month of delivery	"	-	Note 2	- %	Note 1、3
CNC	The Company	Parent company	(Sales)	(4,095,949)	(100)%	Net 120 days from delivery	According to cost plus pricing	-	4,400,387	99 %	Note 1、3
Arcadyan Vietnam	The Company	Parent company	(Sales)	(1,271,039)	(100)%	Net 180 days from the end of the month of delivery	"	-	Note 2	- %	Note 1、3
Arcadyan Germany	The Company	Parent company	Purchases	658,422	100 %	Net 150 days from delivery	-	-	(600,028)	(100)%	Note 3
Arcadyan USA	The Company	Parent company	Purchases	8,804,752	100 %	Net 120 days from delivery	-	-	(2,992,706)	(100)%	Note 3
Arcadyan AU	The Company	Parent company	Purchases	507,202	100 %	Net 60 days from the end of the month of delivery	-	-	(144,601)	(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 June 30, 2023, the other receivables were amounted to \$1,555,222.

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	2,992,706	4.96	-	-	2,270,855	-
"	Arcadyan Vietnam	"	1,555,222 (Note 2)	(Note 2)	-	-	-	-
"	Arcadyan AU	"	144,601	4.76	-	-	-	-
"	Arcadyan Germany	"	600,028	2.20	-	-	242,700	-
CNC	The Company	Parent company	4,400,387 (Note 1)	2.21	-	-	180,016	-
TTI	TCH	Subsidiary of TTI	272,003 (Note 2)	(Note 2)	-	-	-	-

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

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

Note 3: Balance as of July 27, 2023.

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(x) Business relationships and significant intercompany transactions:

Unit: In thousands dollars of TWD

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
0	The Company	Arcadyan Germany	1	Sales Revenue	658,422	There is no significant difference of price with general customers. The credit period is net 150 days from delivery.	2.84 %
"	"	"	1	Accounts Receivable	600,028	"	1.73 %
"	"	Arcadyan USA	1	Sales Revenue	8,804,752	There is no significant difference of price with general customers. The credit period is net 120 days from delivery.	38.02 %
"	"	"	1	Accounts Receivable	2,992,706	"	8.62 %
"	"	Arcadyan AU	1	Sales Revenue	507,202	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.	2.19 %
"	"	"	1	Accounts Receivable	144,601	"	0.42 %
"	"	Arcadyan Vietnam	1	Other Receivables	1,555,222	The credit period is net 180 days from the end of the month of delivery and depended on funding demand.	4.48 %
1	CNC	The Company	2	Processing Revenue	4,095,949	The price is based on the operating cost-plus. The credit period is net 120 days from delivery and depended on funding demand.	17.69 %
"	"	"	2	Accounts Receivable	4,400,387	"	12.68 %
2	Arcadyan Vietnam	The Company	2	Processing Revenue	1,271,039	The credit period is net 180 days from the end of the month of delivery and depended on funding demand.	5.49 %

Note 1: The numbers filled in as follows:

1.0 represents the Company.

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

Note 2: Transactions labeled as follows:

1 represents transactions between the parent company and its subsidiaries.

2 represents transactions between the subsidiaries and the parent company.

3 represents transactions between subsidiaries.

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the six months ended June 30, 2023 (excluding information on investees in Mainland China):

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

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of June 30, 2023			Net Income (Losses) of the Investee	Share of Income (losses) of the investment	Note
				June 30, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Arcadyan Holding	British Virgin Islands	Investment activities	3,232,227	1,701,027	97,780	100%	3,608,655	223,863	223,863	Note 2 - 4
The Company	Arcadyan USA	USA	Selling and technical support of wireless networking products	23,055	23,055	1	100%	(74,352)	6,589	6,589	"
The Company	Arcadyan Germany	Germany	Selling and technical support of wireless networking products	1,125	1,125	0.5	100%	94,998	3,859	3,859	"
The Company	Arcadyan Korea	Korea	Selling of wireless networking products	2,879	2,879	20	100%	26,835	3,368	3,368	"
The Company and ZHI-BAO	Arcadyan Brasil	Brazil	Selling of wireless networking products	81,593	81,593	968	100%	(43,899)	1,246	1,246	"
The Company	ZHI-BAO	Hsinchu City	Investment activities	48,000	48,000	34,980	100%	374,714	(31,493)	(31,493)	"
The Company	TTI	Taipei City	Research and development, and selling digital home appliance	308,726	308,726	25,028	61%	200,777	(16,851)	(10,286)	"
The Company	Arcadyan UK	England	Technical support of wireless networking products	1,988	1,988	50	100%	5,334	278	278	"
The Company	Arcadyan AU	Australia	Selling of wireless networking products	1,161	1,161	50	100%	69,092	7,005	7,005	"
The Company	Arcadyan RU	Russia	Selling of wireless networking products	7,672	7,672	-	100%	3,806	(504)	(504)	"
The Company	CBN	Hsinchu County	Manufacturing and selling of broadband network products	11,925	11,925	533	1%	10,354	(166,077)	(1,306)	Note 3
The Company and ZHI-BAO	Arcadyan India	India	Selling of wireless networking products	29,110	29,110	7,500	100%	42,901	19,706	19,706	Note 2 - 4
Arcadyan Holding	Sinoprime	British Virgin Islands	Investment activities	902,584 (USD29,050)	902,584 (USD29,050)	29,050	100%	1,456,966 (USD46,893)	215,775 (USD7,063)	Investment gain(losses) recognized by Arcadyan Holding	"
"	Arch Holding	British Virgin Islands	Investment activities	342,112 (USD11,011)	342,112 (USD11,011)	35	100%	830,905 (USD26,743)	(6,324) (USD(207))	"	"
Sinoprime	Arcadyan Vietnam	Vietnam	Manufacturing of wireless networking products	901,030 (USD29,000)	901,030 (USD29,000)	-	100%	1,452,367 (USD46,745)	213,775 (USD7,063)	Investment gain (losses) recognized by Sinoprime	"
TTI	Quest	Samoa	Investment activities	37,284 (USD1,200)	37,284 (USD1,200)	1,200	100%	(237,197)	(12,487)	Investment gain (losses) recognized by TTI	"
TTI	TTJC	Japan	Selling digital home appliance	9,626	9,626	0.7	100%	2,739	(332)	"	"
Quest	Exquisite	Samoa	Investment activities	36,352 (USD1,170)	36,352 (USD1,170)	1,170	100%	(238,058) (USD(7,662))	(12,495) (USD(409))	Investment gain(losses) recognized by Quest	"
ZHI-BAO	CBN	Hsinchu County	Manufacturing and selling of broadband network products	36,272	36,272	13,140	19.42%	255,135	(166,077)	Investment gain(losses) recognized by ZHI-BAO	Note 3

Note 1: The amounts in New Taiwan Dollars were translated at the exchange rate of \$US30.55 based on the average exchange rate for net income (losses) of the investees, others were translated at the exchange rate of US\$31.07 based on the reporting date.

Note 2: The Group has owner control.

Note 3: The Group has significant influence.

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Information on investment in mainland China:

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

(In thousand dollars of TWD and USD)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2023	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period	Note
					Outflow	Inflow							
SVA	Research and sale of wireless networking products	251,667 (USD8,100)	Note 1	(Note 4) 416,959 (USD13,420)	-	-	416,959 (USD13,420)	2,963 (USD97)	100%	2,963 (USD97)	36,818 (USD1,185)	-	Note 3
CNC	Manufacturing of wireless networking products	386,822 (USD12,450)	"	(Note 5) 342,112 (USD11,011)	-	-	342,112 (USD11,011)	(6,324) (USD(207))	100%	(6,324) (USD(207))	830,905 (USD26,743)	-	"
TCH	Manufacturing of digital home appliance products	104,085 (USD3,350)	Notes 1 and 6	35,731 (USD1,150)	-	-	35,731 (USD1,150)	(12,495) (USD(409))	100%	(12,495) (USD(409))	(238,587) (USD(7,679))	-	"

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

Note 2: The amounts in New Taiwan Dollars were translated at the exchange rate of \$US30.55 based on the average exchange rate for net income (losses) of the investees, others were translated at the exchange rate of US\$31.07 based on the reporting date.

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

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

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

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

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of June 30, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment in Mainland China by Investment Commission, MOEA
794,802 (USD25,581)	1,066,664 (USD34,331)	8,118,251

Note: The amounts in TWD were translated at the exchange rate of \$31.07 on June 30, 2023.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China for the six months ended June 30, 2023, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions" and "Business relationships and significant intercompany transactions".

(d) Major shareholders:

Unit: Share

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Segment information:

The Group includes only one segment- the networking product segment. The networking product segment is primarily engaged in the research, development, manufacture and sale of wireless LAN products, integrated digital and mobile multimedia products, wireless audio and video products, integrated home network game products, and digital set-top box products. The segment information of the Group is consistent with the information in the financial statements, and please see the consolidated statement of comprehensive income for the segment profit or loss.