Stock Code:3596

# ARCADYAN TECHNOLOGY CORPORATION

**Parent Company Only Financial Statements**

**With Independent Auditors' Report**
**For the Years Ended December 31, 2021 and 2020**

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

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# Independent Auditors' Report

To the Board of Directors of Arcadyan Technology Corporation:

**Opinion**

We have audited the financial statements of Arcadyan Technology Corporation(" the Company" ), which comprise the balance sheets as of December 31, 2021 and 2020, the statements of comprehensive income, changes in equity and cash flows for the years then ended December 31, 2021 and 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended December 31, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

**Key Audit Matters**

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

1. Inventory valuation

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

Description of key audit matters:

Inventory is measured at the lower of cost and net realizable value. 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 and wireless audio and video products. The significant change in supply and competitive market of demand may cause fluctuation in product price. Consequently, the book value of inventory may exceed its net realizable value. Therefore, the valuation of inventory is one of the key audit matters.

How the matter was addressed in our audit:

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

2. Provisions

Please refer to Note (4)(n) and Note (5) for the accounting policy of provisions, as well as the estimation and assumption uncertainly of provisions, respectively. Information regarding the provisions is shown in Note (6)(o) of the financial statements.

Description of key audit matters:

Assessment of provisions is subject to significant judgment and estimation from management. Accounting assumption is based on the historical experience of provision expenses as a percentage of sales.

How the matter was addressed in our audit:

Our principal audit procedures included : understanding the method of estimation and use of provision, the sources of the data; confirming the policy of Company whether it is in accordance with the accounting principles; confirming whether the accounting estimates were conducted and the disclosure of provision was appropriate; performing retrospective testing for the amount of provision, testing the method of estimation, and recalculating the rationality of amount of provision.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

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

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Szu-Chuan Chien and Hsin-Fu Yen.

KPMG

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

**Notes to Readers**

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

The independent auditors' audit report and the accompanying parent company only 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' audit report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements Originally Issued in Chinese)

# ARCADYAN TECHNOLOGY CORPORATION

## Balance Sheets

## December 31, 2021 and 2020

## (Expressed in thousand dollars of TWD)

| | Assets | December 31, 2021 Amount | % | December 31, 2020 Amount | % |
|---|---|---|---|---|---|
| | **Current assets:** | | | | |
| 1100 | Cash and cash equivalents (note (6)(a)) | $ 6,767,854 | 23 | 7,707,957 | 31 |
| 1110 | Current financial assets at fair value through profit or loss (note (6)(b)) | 17,980 | - | 6,034 | - |
| 1170 | Notes and accounts receivable, net (notes (6)(e) and (u)) | 4,724,297 | 16 | 4,888,924 | 20 |
| 1180 | Accounts receivable from related parties, net (note (7)) | 2,328,537 | 8 | 1,397,881 | 6 |
| 1200 | Other receivables | 36,970 | - | 71,155 | - |
| 1210 | Other receivables from related parties (note (7)) | 1,386,023 | 4 | 467,141 | 2 |
| 1310 | Inventories, net (note (6)(f)) | 8,584,714 | 29 | 4,946,818 | 20 |
| 1410 | Prepayments | 27,771 | - | 23,584 | - |
| 1470 | Other current assets (note (8)) | 41,108 | - | 85,360 | - |
| | | 23,915,254 | 80 | 19,594,854 | 79 |
| | **Non-current assets:** | | | | |
| 1550 | Investments accounted for using equity method (note (6)(g)) | 3,469,645 | 12 | 3,447,526 | 14 |
| 1511 | Non-current financial assets at fair value through profit or loss (note (6)(b)) | 37,475 | - | 42,840 | - |
| 1517 | Non-current financial assets at fair value through other comprehensive income (note (6)(c)) | 26,169 | - | 31,135 | - |
| 1600 | Property, plant and equipment (note (6)(h)) | 1,943,162 | 7 | 1,471,239 | 6 |
| 1755 | Right-of-use assets (note (6)(i)) | 49,192 | - | 59,450 | - |
| 1780 | Intangible assets (note (6)(j)) | 112,312 | - | 71,428 | - |
| 1840 | Deferred income tax assets (note (6)(q)) | 308,938 | 1 | 189,473 | 1 |
| 1900 | Other non-current assets | 92,483 | - | 25,653 | - |
| | | 6,039,376 | 20 | 5,338,744 | 21 |
| | **Total assets** | **$ 29,954,630** | **100** | **24,933,598** | **100** |

| | Liabilities and Equity | December 31, 2021 Amount | % | December 31, 2020 Amount | % |
|---|---|---|---|---|---|
| | **Current liabilities:** | | | | |
| 2100 | Short-term borrowings (note (6)(k)) | $ 4,143,580 | 14 | 341,760 | 1 |
| 2120 | Current financial liabilities at fair value through profit or loss (note (6)(b)) | 989 | - | 46,179 | - |
| 2126 | Current financial liabilities for hedging (note (6)(d)) | - | - | 2,192 | - |
| 2170 | Accounts payable | 5,598,033 | 19 | 5,161,935 | 21 |
| 2180 | Accounts payable to related parties (note (7)) | 2,051,957 | 7 | 3,414,606 | 14 |
| 2200 | Other payables (including related parties)(note (7)) | 3,442,911 | 11 | 2,099,040 | 9 |
| 2230 | Current tax liabilities | 243,290 | 1 | 331,198 | 1 |
| 2250 | Current provisions (note (6)(o)) | 483,782 | 2 | 235,477 | 1 |
| 2280 | Current lease liabilities (note (6)(n)) | 4,567 | - | 2,670 | - |
| 2300 | Other current liabilities (note (6)(l)) | 698,203 | 2 | 518,933 | 2 |
| 2321 | Bonds payable, current portion (note (6)(m)) | 326,571 | 1 | - | - |
| | | 16,993,883 | 57 | 12,153,990 | 49 |
| | **Non-Current liabilities:** | | | | |
| 2530 | Bonds payable (note(6)(m)) | - | - | 980,219 | 4 |
| 2570 | Deferred income tax liabilities (note(6)(q)) | 165,797 | 1 | 89,378 | - |
| 2580 | Non-current lease liabilities (note (6)(n)) | 4,996 | - | 1,150 | - |
| 2640 | Non-current net defined benefit liability (note (6)(p)) | 105,902 | - | 99,119 | - |
| 2670 | Other non-current liabilities | 27,951 | - | 381 | - |
| | | 304,646 | 1 | 1,170,247 | 4 |
| | **Total liabilities** | 17,298,529 | 58 | 13,324,237 | 53 |
| | **Equity (notes (6)(m), (r) and (s)):** | | | | |
| 3100 | Ordinary share | 2,164,926 | 7 | 2,084,095 | 8 |
| 3200 | Capital surplus | 4,032,400 | 14 | 3,661,594 | 15 |
| 3300 | Retained earnings | 6,738,883 | 22 | 6,106,197 | 25 |
| 3410 | Exchange differences on translation of foreign financial statements | (243,747) | (1) | (176,362) | (1) |
| 3420 | Unrealized gain or loss on financial assets at fair value through other comprehensive income(note (6)(w)) | (23,331) | - | (18,365) | - |
| 3450 | Gain(loss) from hedging instrument | - | - | (2,192) | - |
| 3490 | Unearned employee benefit | (13,030) | - | (45,606) | - |
| | **Total equity** | 12,656,101 | 42 | 11,609,361 | 47 |
| | **Total liabilities and equity** | **$ 29,954,630** | **100** | **24,933,598** | **100** |

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

# ARCADYAN TECHNOLOGY CORPORATION

## Statements of Comprehensive Income

## For the years ended December 31, 2021 and 2020

## (Expressed in thousand dollars of TWD, except net income per share amounts)

| | | 2021 Amount | 2021 % | 2020 Amount | 2020 % |
|---|---|---|---|---|---|
| 4000 | **Operating Revenues (notes (6)(u) and (7)):** | | | | |
| 4100 | Net sales revenue | $ 35,748,424 | 99 | 30,530,274 | 100 |
| 4800 | Other operating revenue | 286,205 | 1 | 173,006 | - |
| | | 36,034,629 | 100 | 30,703,280 | 100 |
| 5000 | **Operating costs (notes (6)(f), (6)(p), (7) and (12))** | 31,453,035 | 87 | 26,446,989 | 86 |
| | **Gross profit from operating** | 4,581,594 | 13 | 4,256,291 | 14 |
| 5910 | Unrealized profit from sales | 9,442 | - | (293,102) | (1) |
| | | 4,572,152 | 13 | 4,549,393 | 15 |
| | **Operating expenses (notes (6)(p), (7) and (12)):** | | | | |
| 6100 | Selling expenses | 512,113 | 1 | 387,244 | 1 |
| 6200 | Administrative expenses | 350,287 | 1 | 409,131 | 1 |
| 6300 | Research and development expenses | 1,692,807 | 5 | 1,451,209 | 5 |
| | **Total operating expenses** | 2,555,207 | 7 | 2,247,584 | 7 |
| | **Net operating income** | 2,016,945 | 6 | 2,301,809 | 8 |
| | **Non-operating income and expenses:** | | | | |
| 7100 | Interest income | 17,409 | - | 26,774 | - |
| 7230 | Foreign exchange (losses) gains, net | (137,476) | - | 3,558 | - |
| 7225 | Gains on disposals of investments | - | - | 985 | - |
| 7375 | Share of profit of associates and joint ventures accounted for using equity method (note (6)(g)) | 254,856 | - | 51,929 | - |
| 7010 | Other income | 17,717 | - | 4,434 | - |
| 7510 | Interest expense (note (6)(m)) | (21,173) | - | (23,805) | - |
| 7635 | Gains (losses) on financial assets (liabilities) at fair value through profit or loss (notes (6)(b) and (6)(d)) | 104,366 | - | (16,642) | - |
| | **Total non-operating income and expenses** | 235,699 | - | 47,233 | - |
| | **Income before tax** | 2,252,644 | 6 | 2,349,042 | 8 |
| 7950 | Less: Income tax expenses (note (6)(q)) | 465,100 | 1 | 635,100 | 2 |
| | **Net income** | 1,787,544 | 5 | 1,713,942 | 6 |
| 8300 | **Other comprehensive income:** | | | | |
| 8310 | **Components of other comprehensive income that will not be reclassified to profit or loss** | | | | |
| 8311 | Gains (losses) on remeasurements of defined benefit plans (note (6)(p)) | (8,980) | - | (6,214) | - |
| 8316 | Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | (4,966) | - | (18,365) | - |
| 8349 | Less:Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(q)) | (1,796) | - | (1,243) | - |
| | Components of other comprehensive income that will not be reclassified to profit or loss | (12,150) | - | (23,336) | - |
| 8360 | **Components of other comprehensive income (loss) that may be reclassified to profit or loss** | | | | |
| 8361 | Exchange differences on translation of foreign financial statements | (84,195) | - | (102,511) | (1) |
| 8368 | Gains (losses) on hedging instrument (note (6)(d)) | 2,192 | - | 2,679 | - |
| 8380 | Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss | (28) | - | 82 | - |
| 8399 | Less:Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note (6)(q)) | (16,838) | - | (21,239) | - |
| | Components of other comprehensive income that may be reclassified to profit or loss | (65,193) | - | (78,511) | (1) |
| 8300 | **Other comprehensive income** | (77,343) | - | (101,847) | (1) |
| | **Total comprehensive income** | $ 1,710,201 | 5 | 1,612,095 | 5 |
| | **Earnings per share (note (6)(t))** | | | | |
| 9750 | Basic earnings per share | $ | 8.60 | | 8.36 |
| 9850 | Diluted earnings per share | $ | 8.06 | | 7.77 |

See accompanying notes to financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

# ARCADYAN TECHNOLOGY CORPORATION

## Statements of Changes in Equity

## For the years ended December 31, 2021 and 2020

## (Expressed in thousand dollars of TWD)

| | | | Retained earnings | | | | Total other equity interest | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Ordinary shares | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Total retained earnings | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | Gains (losses) on hedging instruments | Unearned employee benefit | Total other equity interest | Total equity |
| **Balance at January 1, 2020** | $ 2,085,350 | 3,703,916 | 850,544 | 53,684 | 4,431,172 | 5,335,400 | (95,172) | - | (4,871) | (119,897) | (219,940) | 10,904,726 |
| Net income for the year ended December 31, 2020 | - | - | - | - | 1,713,942 | 1,713,942 | - | - | - | - | - | 1,713,942 |
| Other comprehensive income for the year ended December 31, 2020 | - | - | - | - | (4,971) | (4,971) | (81,190) | (18,365) | 2,679 | - | (96,876) | (101,847) |
| Comprehensive income for the year ended December 31, 2020 | - | - | - | - | 1,708,971 | 1,708,971 | (81,190) | (18,365) | 2,679 | - | (96,876) | 1,612,095 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | | |
| Legal reserve appropriated | - | - | 131,350 | - | (131,350) | - | - | - | - | - | - | - |
| Special reserve appropriated | - | - | - | 41,488 | (41,488) | - | - | - | - | - | - | - |
| Cash dividends of ordinary shares | - | - | - | - | (938,174) | (938,174) | - | - | - | - | - | (938,174) |
| Cash dividends from capital surplus | - | (41,696) | - | - | - | - | - | - | - | - | - | (41,696) |
| Changes in equity of associates and subsidiaries accounted for using equity method | - | (150) | - | - | - | - | - | - | - | - | - | (150) |
| Disposal of investments accounted for using equity method | - | (985) | - | - | - | - | - | - | - | - | - | (985) |
| Share-based payment transactions | (1,255) | 509 | - | - | - | - | - | - | - | 74,291 | 74,291 | 73,545 |
| **Balance at December 31, 2020** | 2,084,095 | 3,661,594 | 981,894 | 95,172 | 5,029,131 | 6,106,197 | (176,362) | (18,365) | (2,192) | (45,606) | (242,525) | 11,609,361 |
| Net income for the year ended December 31, 2021 | - | - | - | - | 1,787,544 | 1,787,544 | - | - | - | - | - | 1,787,544 |
| Other comprehensive income for the year ended December 31, 2021 | - | - | - | - | (7,184) | (7,184) | (67,385) | (4,966) | 2,192 | - | (70,159) | (77,343) |
| Total comprehensive income for the year ended December 31, 2021 | - | - | - | - | 1,780,360 | 1,780,360 | (67,385) | (4,966) | 2,192 | - | (70,159) | 1,710,201 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | | |
| Legal reserve appropriated | - | - | 170,897 | - | (170,897) | - | - | - | - | - | - | - |
| Special reserve reversed | - | - | - | 101,747 | (101,747) | - | - | - | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | (1,146,071) | (1,146,071) | - | - | - | - | - | (1,146,071) |
| Cash dividends from capital surplus | - | (208,377) | - | - | - | - | - | - | - | - | - | (208,377) |
| Convertible bonds converted into ordinary shares | 81,363 | 584,253 | - | - | - | - | - | - | - | - | - | 665,616 |
| Changes in equity of associates and subsidiaries accounted for using equity method | - | (5,602) | - | - | (1,603) | (1,603) | - | - | - | - | - | (7,205) |
| Share-based payment transactions | (532) | 532 | - | - | - | - | - | - | - | 32,576 | 32,576 | 32,576 |
| **Balance at December 31, 2021** | **$ 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** |

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

**ARCADYAN TECHNOLOGY CORPORATION**

**Statements of Cash Flows**

**For the years ended December 31, 2021 and 2020**

**(Expressed in thousand dollars of TWD)**

| | | 2021 | 2020 |
|---|---|---|---|
| **Cash flows from (used in) operating activities:** | | | |
| **Income before tax** | $ | 2,252,644 | 2,349,042 |
| **Adjustments:** | | | |
| **Adjustments to reconcile profit (loss):** | | | |
| Depreciation expense | | 114,821 | 104,351 |
| Amortization expense | | 34,121 | 29,261 |
| Expected credit loss | | 82 | 2,177 |
| Interest expense | | 21,173 | 23,805 |
| Interest income | | (17,409) | (26,774) |
| Net loss on financial assets or liabilities at fair value through profit or loss | | 5,365 | 1,422 |
| Share-based payments | | 32,576 | 73,545 |
| Share of profit of associates and joint ventures accounted for using equity method | | (254,856) | (51,929) |
| (Gain) loss on disposal of property, plant and equipment | | (29) | 45 |
| Gain on disposal of investments | | - | (985) |
| Unrealized profit (loss) from sales | | 9,442 | (293,102) |
| **Total adjustments to reconcile loss** | | (54,714) | (138,184) |
| **Changes in operating assets and liabilities:** | | | |
| Net loss (gain) on financial assets or liabilities mandatorily measured at fair value through profit or loss | | (57,136) | 47,131 |
| Decrease (increase) in notes and accounts receivable | | 164,503 | (1,535,743) |
| (Increase) decrease in accounts receivable from related parties | | (930,656) | 2,367,901 |
| (Increase) decrease in other receivable(including related parties) | | (883,723) | 58,686 |
| Increase in inventories | | (3,637,896) | (840,522) |
| (Increase) decrease in prepayments | | (4,187) | 22,179 |
| Decrease in other current assets | | 3,162 | 4,384 |
| (Decrease) increase in accounts payable | | (926,551) | 1,491,160 |
| Increase in other payable and other current liabilities | | 1,769,318 | 1,422,752 |
| Decrease in other operating liabilities | | (2,197) | (2,006) |
| **Total changes in operating assets and liabilities** | | (4,505,363) | 3,035,922 |
| **Total adjustments** | | (4,560,077) | 2,897,738 |
| Cash inflow (outflow) generated from operations | | (2,307,433) | 5,246,780 |
| Interest received | | 17,842 | 26,770 |
| Dividends received | | 9,103 | 7,742 |
| Interest paid | | (6,823) | (10,257) |
| Income taxes paid | | (577,419) | (579,621) |
| **Net cash flows (used in) from operating activities** | | (2,864,730) | 4,691,414 |
| **Cash flows from (used in) investing activities:** | | | |
| Decrease in pledged assets | | 41,090 | - |
| Acquisition of investments accounted for using equity method | | (18,553) | (298,192) |
| Reduction of capital from investee | | 139,950 | - |
| Acquisition of property, plant and equipment | | (568,710) | (108,225) |
| Proceeds from disposal of property, plant and equipment | | 2,638 | 73 |
| Acquisition of intangible assets | | (75,005) | (36,515) |
| Increase in other non-current assets | | (66,830) | (5,787) |
| **Net cash flows used in investing activities** | | (545,420) | (448,646) |
| **Cash flows from (used in) financing activities:** | | | |
| Increase in short-term borrowings | | 3,801,820 | 71,580 |
| Cash dividends paid | | (1,354,449) | (979,876) |
| Repayment of lease principal | | (4,894) | (87,872) |
| Other financing activities | | 27,570 | 381 |
| **Net cash flows from (used in) financing activities** | | 2,470,047 | (995,787) |
| **Net (decrease) increase in cash and cash equivalents** | | (940,103) | 3,246,981 |
| **Cash and cash equivalents at beginning of period** | | 7,707,957 | 4,460,976 |
| **Cash and cash equivalents at end of period** | **$** | **6,767,854** | **7,707,957** |

See accompanying notes to financial statements.

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

**ARCADYAN TECHNOLOGY CORPORATION**

**Notes to the Financial Statements**

**For the years ended December 31, 2021 and 2020**

**(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 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.

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

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

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

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2021:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform—Phase 2"
- Amendments to IFRS 16 "Covid-19-Related Rent Concessions beyond June 30, 2021"

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its financial statements:

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

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION**

**Notes to the Financial Statements**

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

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

| Standards or Interpretations | Content of amendment | Effective date per IASB |
|---|---|---|
| Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" | The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. | January 1, 2023 |
| Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" | The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. | January 1, 2023 |

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

The Company 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 financial statements:

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 " Insurance Contracts" and amendments to IFRS 17 " Insurance Contracts"
- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"

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

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

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

(a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(b) Basis of preparation

(i) Basis of measurement

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

1) Financial instruments at fair value through profit or loss are measured at fair value;

2) Financial assets at fair value through other comprehensive income are measured at fair value;

3) Hedging financial assets are measured at fair value; and

4) The defined benefit liabilities (assets) are measured at fair value of plan assets less the present value of the defined benefit obligation, limited as explained in note (4)(p).

(ii) Functional and presentation currencies

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

(c) Foreign currencies

(i) Foreign currency transactions

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

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

1) an investment in equity securities designated as at fair value through other comprehensive income;

2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

3) qualifying cash flow hedges to the extent that the hedges are effective.

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

(ii) Foreign operations

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

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

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

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

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

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

(e) Cash and cash equivalents

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

(f) Financial instruments

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

(i) Financial assets

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

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

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

1) Financial assets measured at amortized cost

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

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

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

(Continued)

2) Fair value through other comprehensive income (FVOCI )

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

· it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

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

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

4) Impairment of financial assets

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

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

· debt securities that are determined to have low credit risk at the reporting date; and

(Continued)

- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

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

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

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

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

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

- significant financial difficulty of the borrower or issuer;

- a breach of contract such as a default or being more than 90 days past due;

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

· the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

· it is probable that the borrower will enter bankruptcy or other financial reorganization; or

· the disappearance of an active market for a security because of financial difficulties.

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

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

5) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

3) Financial liabilities

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

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

4) Derecognition of financial liabilities

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

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

5) Offsetting of financial assets and liabilities

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

6) Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, the Company will update the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

– the change is necessary as a direct consequence of the reform; and

– the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group will first update the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. Thereafter, the Company will apply applied the policies on accounting for modifications to the additional changes.

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

(iii) Derivative financial instruments and hedge accounting

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

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

The Company designates certain hedging instruments (which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk) as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

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

1) Cash flow hedges

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

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

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

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

(g) Inventories

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

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

(h) Investment in associates

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

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

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

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

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

(i) Investments in subsidiaries

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the non-consolidated financial statements. Under equity method, the net income, other comprehensive income and equity in the non-consolidated financial statement are the same as those attributable to the owners of the parent in the consolidated financial statements.

The changes in ownership of the subsidiaries are recognized as equity transaction.

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

1) Buildings: 50 years

2) Machinery and equipment: 3~6 years

3) Research equipment: 3~6 years

4) Modeling equipment: 2~3 years

5) Other equipment: 1~10 years

The main construction of property, plant and equipment are factory buildings and firefighting facilities. All facilities are depreciated by using the useful life depreciation method.

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

(k) Lease

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

(i) As a leasee

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

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

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

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

1) fixed payments, including in substance fixed payments;

2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

3) amounts expected to be payable under a residual value guarantee; and

4) payments for purchase or termination options that are reasonably certain to be exercised.

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

1) there is a change in future lease payments arising from the change in an index or rate; or

2) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or

3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

4) there is a change of its assessment on whether it will exercise a extension or termination option; or

5) there is any lease modifications

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

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

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

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

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

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

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

— the rent concessions occurring as a direct consequence of the COVID-19 pandemic;

— the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

— any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and

— there is no substantive change in other terms and conditions of the lease.

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

(ii) As a leasor

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

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

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

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

(l) Intangible assets

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

1) Authorization fee: amortized over the contract period by using the straight-line method.

2) Computer software: 1~10 years

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

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

(m) Impairment of non-financial assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

(n) Provisions

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

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

(o) Revenue from contracts with customers

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

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**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

(i) Sale of goods

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

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

(ii) Financing components

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

(p) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

(Continued)

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

(iii) Short term employee benefits

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

(q) Share-based payment

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

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

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

(r) Income Taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

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

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

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

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

(i) the Company has a legally enforceable right to set off currenttax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(s) Business combination

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

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

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION**

**Notes to the Financial Statements**

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

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

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

The Company should recongnized all the business combination cost as current expense except for issuance bond or equity instrument.

(t) Earnings per share

The Company discloses the basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds, remuneration to employees not yet approved by the directors, and employee restricted shares.

(u) Operating segments

Please refer to the Company's consolidated financial statements for the years ended December 31,2021 and 2020, for further details.

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

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

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

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

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

Information about assumptions and estimation uncertainties made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is as follows:

(a) Inventory valuation

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

(b) Recognition and measurement of provisions

Provision for warranty is estimated when product revenue is recognized. The estimate has been made based on the historical experience of provision expenses as a percentage of sales. The Company reviews regularly the basis of the estimate, and if necessary, amends it as appropriate. There could be a significant impact on the provision for warranty for any changes in the basis of the estimate. Please refer to note (6)(o) of the financial statement for recognition and measurement of provisions.

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

(a) Cash and cash equivalents

| | **December 31, 2021** | **December 31, 2020** |
|---|---|---|
| Cash on hand | $ 1,276 | 1,416 |
| Checking accounts and demand deposits | 2,766,578 | 2,706,541 |
| Time deposits | 4,000,000 | 5,000,000 |
| | **$ 6,767,854** | **7,707,957** |

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

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

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

| | | December 31, 2021 | December 31, 2020 |
|---|---|---|---|
| **Current financial assets mandatorily measured at fair value through profit or loss:** | | | |
| Derivative instruments not used for hedging: | | | |
| Foreign exchange forward contracts | $ | 15,531 | - |
| Foreign exchange swaps contracts | | 2,449 | 6,034 |
| | $ | **17,980** | **6,034** |
| **Non-current financial assets mandatorily measured at fair value through profit or loss:** | | | |
| Non-derivative financial assets: | | | |
| Fund unlisted on domestic markets | $ | **37,475** | **42,840** |
| **Held-for-trading financial liabilities:** | | | |
| Derivative instrument not used for hedging: | | | |
| Foreign exchange forward contracts | $ | 989 | 43,896 |
| Foreign exchange swaps contracts | | - | 2,283 |
| Total | $ | **989** | **46,179** |

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

| | December 31, 2021 | | |
|---|---|---|---|
| | **Contract amount (in thousands)** | **Currency** | **Maturity date** |
| **Derivative financial assets:** | | | |
| **Forward contracts:** | | | |
| Foreign exchange forward | EUR 15,000 | Sell EUR / USD | January 14, 2022~ March 14, 2022 |
| **Swap contracts:** | | | |
| Foreign exchange swaps | USD 20,000 | B/S USD / TWD | February 14, 2022~ March 14, 2022 |
| **Derivative financial liabilities:** | | | |
| **Forward contracts:** | | | |
| Foreign exchange forward | USD 5,000 | Buy USD / CNH | January 26, 2022 |
| Foreign exchange forward | EUR 2,000 | Sell EUR / USD | February 25, 2022 |

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## ARCADYAN TECHNOLOGY CORPORATION
### Notes to the Financial Statements

| | December 31, 2020 | | |
|---|---|---|---|
| | Contract amount (in thousands) | Currency | Maturity date |
| **Derivative financial assets:** | | | |
| **Swap contracts:** | | | |
| Foriegn exchange swaps | USD 20,000 | B/S USD / TWD | January 28, 2021~ February 26, 2021 |
| **Derivative financial liabilities:** | | | |
| **Forward contracts:** | | | |
| Foreign exchange forward | EUR 37,000 | Sell EUR / USD | January14, 2021~ April 14, 2021 |
| Foreign exchange forward | USD 800 | Buy USD / BRL | August 26, 2021 |
| **Swap contracts:** | | | |
| Foreign exchange swaps | USD 30,000 | B/S USD / TWD | March 12, 2021~ April 29, 2021 |

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

As of December 31, 2021 and 2020, the Company did not provide any aforementioned financial assets as collaterals.

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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| **Eqity investments at fair value through other comprehensive income:** | | |
| Stocks unlisted on domestic markets | $ 26,169 | 31,135 |

(i) For the years ended December 31, 2021 and 2020, unrealized losses from above mentioned equity measured at fair value were $4,966 and $18,365, respectively, recognized under other comprehensive income.

(ii) There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments for the years ended December 31, 2021 and 2020.

(iii) Please refer to note (6)(w) for information of market risk.

(iv) The Company did not provide any aforementioned financial assets as collaterals for its loans.

**ARCADYAN TECHNOLOGY CORPORATION**

**Notes to the Financial Statements**

(d) Derivative financial instruments used for hedging

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

| | | December 31, 2021 | December 31, 2020 |
|---|---|---|---|
| **Cash flow hedge:** | | | |
| Financial liabilities used for hedging: | | | |
| Foreign exchange forward contracts | $ | - | 2,192 |

(ii) Cash flow hedge－foreign exchanbe risk

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

The Company has no balance of cash flow hedging as of December 31, 2021. As of December 31, 2020, the amounts relating to the items designated as hedging instruments were as follows:

| | December 31, 2020 | | | | |
|---|---|---|---|---|---|
| | Contract amount (in thousands) | | Currency | Maturity date | Average strike price |
| **Derivative financial liabilities used for hedging** | | | | | |
| **Forward contracts:** | | | | | |
| Foreign exchange forward | EUR | 6,000 | Sell EUR / USD | April 29, 2021~ June 29, 2021 | 1.2192 |

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

For the years ended December 31, 2021 and 2020, the details of adjustments on reclassification from other comprehensive income were as follows:

| | | 2021 | 2020 |
|---|---|---|---|
| Cash flow hedge | | | |
| Profit (loss) in current year | $ | 43,006 | (1,736) |
| Less: Net income (loss) of adjustments on reclassification from components of other comprehensive income which belongs to net income (loss) | | 40,814 | (4,415) |
| Net profit recognized in other comprehensive income | $ | 2,192 | 2,679 |

(iv) For the years ended December 31, 2021 and 2020, the ineffective portion of cash flow hedge recognized in loss amounted to $0 and $(1,080), respectively, were recognized under the “Gains (losses) on financial assets (liabilities) at fair value through profit or loss”.

(v) For the years ended December 31, 2021 and 2020, gain or loss of adjustments from reclassification of other equity, deriving from the changes of fair-value for hedge instruments, were recognized under operating revenues in income statement.

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

(e) Notes and accounts receivable

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Notes receivable from operating activities | $ - | 17,574 |
| Accounts receivable – measured at amortized cost | 4,749,254 | 4,896,183 |
| | 4,749,254 | 4,913,757 |
| Less: allowance for uncollectible accounts | (24,957) | (24,833) |
| | **$ 4,724,297** | **4,888,924** |

The Company 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 were determined as follows:

| | December 31, 2021 | | | |
|---|---|---|---|---|
| **Credit rating** | **Gross carrying amount** | **Weighted-average loss rate** | **Loss allowance provision** | **Credit impaired** |
| Level A | $ 1,703,746 | 0% | - | No |
| Level B | 2,600,509 | 0.1% | 2,640 | No |
| Level C | 426,952 | 1% | 4,270 | No |
| Level D | - | - | - | - |
| Level E | 18,047 | 100% | 18,047 | Yes |
| Total | **$ 4,749,254** | | **24,957** | |

| | December 31, 2020 | | | |
|---|---|---|---|---|
| **Credit rating** | **Gross carrying amount** | **Weighted-average loss rate** | **Loss allowance provision** | **Credit impaired** |
| Level A | $ 2,085,616 | 0% | - | No |
| Level B | 2,430,280 | 0.1% | 2,472 | No |
| Level C | 379,293 | 1% | 3,793 | No |
| Level D | - | - | - | - |
| Level E | 18,568 | 100% | 18,568 | Yes |
| Total | **$ 4,913,757** | | **24,833** | |

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

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

| | | December 31, 2021 | December 31, 2020 |
|---|---|---|---|
| Overdue 1~30 days | $ | 453,599 | 364,043 |
| Overdue 31~60 days | | 125,620 | 55,096 |
| Overdue 61~90 days | | 20,095 | - |
| Overdue 91~180 days | | 12,376 | 26 |
| Overdue over 181 days | | 25,726 | 18,568 |
| | $ | **637,416** | **437,733** |

The movement in the allowance for notes and accounts receivable were as follows:

| | | 2021 | 2020 |
|---|---|---|---|
| Balance at January 1 | $ | 24,833 | 22,596 |
| Impairment losses recognized | | 124 | 2,237 |
| Balance at December 31 | $ | **24,957** | **24,833** |

As of December 31, 2021 and 2020, the Company did not provide any aforementioned notes and accounts receivable as collaterals for its loans.

(f) Inventories

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

| | | December 31, 2021 | December 31, 2020 |
|---|---|---|---|
| Raw materials | $ | 3,694,269 | 1,669,801 |
| Finished goods | | 4,890,445 | 3,277,017 |
| | $ | **8,584,714** | **4,946,818** |

(ii) Inventory cost recognized as operating cost for the years ended December 31, 2021 and 2020 were as follows:

| | | 2021 | 2020 |
|---|---|---|---|
| Cost of sales and expense | $ | 31,361,581 | 26,205,769 |
| Provision for inventory valuation and obsolescence loss | | 91,454 | 241,220 |
| | $ | **31,453,035** | **26,446,989** |

(iii) As of December 31, 2021 and 2020, the Company did not provide any inventories as collaterals for its loans.

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

(g) Investments accounted for using equity method(including credit balance of investments accounted for using equity method)

A summary of the Company's financial information for investments accouned for using the equity method at the reporting date were as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Subsidiaries | $ 3,442,176 | 3,418,130 |
| Associates | 12,642 | 13,204 |
| | 3,454,818 | 3,431,334 |
| Add: Recorded as deduction of other receivable from related parties | 14,827 | 16,192 |
| | **$ 3,469,645** | **3,447,526** |

(i) Subsidiaries

Please refer to the 2021 consolidated financial statements for the year ended December 31, 2021.

(ii) Associates

The Company's financial information for investment accounted for using equity method that are individually insignificant was as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| The carrying amount of the Company's interests in all individually insignificant associates' equity | **$ 12,642** | **13,204** |

The Company's share of the net income (loss) of associates was as follows:

| | 2021 | 2020 |
|---|---|---|
| Attributable to the Company: | | |
| Net income from continuing operations | $ 261 | 372 |
| Other comprehensive income (loss) | (9) | 4 |
| Total comprehensive income | **$ 252** | **376** |

(iii) As of December 31, 2021 and 2020, the Company did not provide any investment accounted for using equity method as collaterals for its loans.

# ARCADYAN TECHNOLOGY CORPORATION

## Notes to the Financial Statements

(h) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company for the years ended December 31, 2021 and 2020 were as follows:

| | | Land | Buildings and construction | Machinery and equipment | Research and development equipment | Molding equipment | Other equipment | Construction in progress and prepayment for purchase of equipment | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Cost or deemed cost:** | | | | | | | | | |
| Balance at January 1, 2021 | $ | 463,262 | 828,128 | 197,419 | 463,086 | 90,952 | 242,224 | 25,804 | 2,310,875 |
| Additions | | 415,716 | - | 1,494 | 102,337 | 10,776 | 19,314 | 21,187 | 570,824 |
| Reclassifications | | - | - | - | 33,021 | (2,366) | 4,762 | (37,783) | (2,366) |
| Disposals and derecognitions | | - | - | (23,456) | (13,453) | (9,008) | (13,224) | - | (59,141) |
| Balance at December 31,2021 | **$** | **878,978** | **828,128** | **175,457** | **584,991** | **90,354** | **253,076** | **9,208** | **2,820,192** |
| Balance at January 1, 2020 | $ | 463,262 | 828,128 | 212,768 | 403,086 | 142,454 | 237,912 | 15,665 | 2,303,275 |
| Additions | | - | - | - | 60,763 | 8,019 | 13,489 | 19,048 | 101,319 |
| Reclassifications | | - | - | - | 3,960 | - | 1,320 | (8,909) | (3,629) |
| Disposals and derecognitions | | - | - | (15,349) | (4,723) | (59,521) | (10,497) | - | (90,090) |
| Balance at December 31, 2020 | **$** | **463,262** | **828,128** | **197,419** | **463,086** | **90,952** | **242,224** | **25,804** | **2,310,875** |
| **Depreciation and impairment loss:** | | | | | | | | | |
| Balance at January 1, 2021 | $ | - | 98,675 | 197,153 | 316,299 | 83,310 | 144,199 | - | 839,636 |
| Depreciation | | - | 16,897 | 202 | 46,691 | 3,550 | 26,586 | - | 93,926 |
| Disposals and derecognitions | | - | - | (23,447) | (11,891) | (9,006) | (12,188) | - | (56,532) |
| Balance at December 31, 2021 | **$** | **-** | **115,572** | **173,908** | **351,099** | **77,854** | **158,597** | **-** | **877,030** |
| Balance at January 1, 2020 | $ | - | 81,607 | 212,216 | 284,653 | 139,363 | 130,165 | - | 848,004 |
| Depreciation | | - | 17,068 | 278 | 36,288 | 3,439 | 24,531 | - | 81,604 |
| Disposals and derecognitions | | - | - | (15,341) | (4,642) | (59,492) | (10,497) | - | (89,972) |
| Balance at December 31, 2020 | **$** | **-** | **98,675** | **197,153** | **316,299** | **83,310** | **144,199** | **-** | **839,636** |
| **Carrying amounts:** | | | | | | | | | |
| Balance at December 31, 2021 | **$** | **878,978** | **712,556** | **1,549** | **233,892** | **12,500** | **94,479** | **9,208** | **1,943,162** |
| Balance at January 1, 2020 | **$** | **463,262** | **746,521** | **552** | **118,433** | **3,091** | **107,747** | **15,665** | **1,455,271** |
| Balance at December 31, 2020 | **$** | **463,262** | **729,453** | **266** | **146,787** | **7,642** | **98,025** | **25,804** | **1,471,239** |

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

(ii) As of December 31, 2021 and 2020, the Company did not provide any Company's property, plant and equipment as collaterals.

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

(i) Right-of-use assets

The cost and depreciation of the right-of-use of the Company for the years ended December 31, 2021 and 2020 were as follow:

| | | Machinery | Vehicles and Other | Total |
|---|---|---|---|---|
| **Cost:** | | | | |
| Balance at January 1, 2021 | $ | 81,081 | 10,648 | 91,729 |
| Additions | | - | 10,637 | 10,637 |
| Disposals | | - | (4,755) | (4,755) |
| Balance at December 31, 2021 | $ | **81,081** | **16,530** | **97,611** |
| Balance at January 1, 2020 | | 81,081 | 14,547 | 95,628 |
| Disposals | | - | (6,896) | (6,896) |
| Balance at December 31, 2020 | | **81,081** | **10,648** | **91,729** |
| **Depreciation:** | | | | |
| Balance at January 1, 2021 | $ | 25,675 | 6,604 | 32,279 |
| Depreciation | | 16,216 | 4,679 | 20,895 |
| Disposals | | - | (4,755) | (4,755) |
| Balance at December 31, 2021 | $ | **41,891** | **6,528** | **48,419** |
| Balance atJanuary 1, 2020 | | 9,459 | 6,969 | 16,428 |
| Depreciation | | 16,216 | 6,531 | 22,747 |
| Disposal | | - | (6,896) | (6,896) |
| Balance at December 31, 2020 | $ | **25,675** | **6,604** | **32,279** |
| **Carrying amount:** | | | | |
| Balance at December 31, 2021 | $ | **39,190** | **10,002** | **49,192** |
| Balance at January 1, 2020 | $ | **71,622** | **7,578** | **79,200** |
| Balance at December 31, 2020 | $ | **55,406** | **4,044** | **59,450** |

(j) Intangible Assets

Changes in cost and accumulated amortization of intangible assets for the years ended December 31, 2021 and 2020, were as follows:

| | | Goodwill | Authorization fee | Computer software and others | Total |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| Balance at January 1, 2021 | $ | 6,556 | 51,016 | 123,633 | 181,205 |
| Additions | | - | - | 75,005 | 75,005 |
| Disposals | | - | (11,902) | (54,115) | (66,017) |
| Balance at December 31, 2021 | $ | **6,556** | **39,114** | **144,523** | **190,193** |

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

| | | Goodwill | Authorization fee | Computer software and others | Total |
|---|---|---|---|---|---|
| Balance at January 1, 2020 | $ | 6,556 | 51,016 | 86,807 | 144,379 |
| Additions | | - | - | 36,515 | 36,515 |
| Reclassifications | | - | - | 413 | 413 |
| Disposals | | - | - | (102) | (102) |
| Balance at December 31, 2020 | $ | 6,556 | 51,016 | 123,633 | 181,205 |
| **Accumulated amortization:** | | | | | |
| Balance at January 1, 2021 | $ | - | 39,742 | 70,035 | 109,777 |
| Amortization | | - | 4,268 | 29,853 | 34,121 |
| Disposals | | - | (11,902) | (54,115) | (66,017) |
| Balance at December 31, 2021 | $ | - | 32,108 | 45,773 | 77,881 |
| Balance at January 1, 2020 | $ | - | 35,037 | 45,581 | 80,618 |
| Amortization | | - | 4,705 | 24,556 | 29,261 |
| Disposals | | - | - | (102) | (102) |
| Balance at December 31, 2020 | $ | - | 39,742 | 70,035 | 109,777 |
| **Carrying amounts:** | | | | | |
| Balance at December 31, 2021 | $ | 6,556 | 7,006 | 98,750 | 112,312 |
| Balance at January 1, 2020 | $ | 6,556 | 15,979 | 41,226 | 63,761 |
| Balance at December 31, 2020 | $ | 6,556 | 11,274 | 53,598 | 71,428 |

(i) Amortization expenses

The amortization of intangible assets is included in the statements of comprehensive income:

| | | 2021 | 2020 |
|---|---|---|---|
| Operating costs | $ | 4,916 | 2,239 |
| Operating expenses | $ | 29,205 | 27,022 |

(ii) As of December 31, 2021 and 2020, the Company did not provide any intangible assets as collaterals.

(k) Short-term borrowings

The short-tem borrowings were summarized a follows:

| | | December 31, 2021 | December 31, 2020 |
|---|---|---|---|
| Unsecured bank loans | $ | 4,143,580 | 341,760 |
| Unused credit line for short-term borrowings | $ | 1,541,037 | 5,174,111 |
| Annual interest rates | | 0.05%~0.87% | 0.25%~2.20% |

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

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

(l) Other current liabiliteis

The other current liabilities were summarized a follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Temporary receipts－non-recurring engineering revenue and collection on behalf of others | $ 464,630 | 450,793 |
| Others | 233,573 | 68,140 |
| | **$ 698,203** | **518,933** |

(m) Unsecured convertible bonds payable

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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Total convertible bonds issued | $ 1,000,000 | 1,000,000 |
| Unamortized discounted bonds payable | (1,433) | (18,527) |
| Unamortized issuance cost on bonds payable | (496) | (1,254) |
| Accumulated converted amount | (671,500) | - |
| Balance of bonds payable as of the reporting date | **$ 326,571** | **980,219** |
| Conversion options included in equity components (recognized as capital surplus - stock options) | **$ 15,987** | **48,667** |

| | 2021 | 2020 |
|---|---|---|
| Interest expenses | **$ 11,968** | **13,727** |

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

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

1) Coupon rate: 0%

2) Duration: three years (June 6, 2019~June 6, 2022)

3) Repayment:

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

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

4) Terms of conversion:

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

- The closing period in accordance with the applicable law;
- The period starting from the first day of the first fifteen working days prior to the date of record for determination wherein the shareholders are entitled to receive the distributions or rights to subscribe for new shares in a capital increase for cash, and ends on the date of record for the distribution of the rights/benefits;
- The period starts from the date of record of the capital decrease and ends on the date prior to the trading of the reissuance shares after the capital decrease.

b) The conversion price of $98.3 (TWD) per share upon issuance had been adjusted to $93 (TWD) per share after paying cash dividends on ordinary shares and issuing new shares in cash in 2019, then had been adjusted to $87.7 (TWD) and $82.5 (TWD) per share after paying cash dividend on ordinary shares in 2020 and 2021, respectively.

(iii) As the maturity date of the convertible bonds is on June 6, 2022, therefore, the convertible bonds are reclassified under current liabilities as of June 30, 2021.

(iv) As of December 31 , 2021, the convertible bonds with a par value of $671,500 were converted into ordinary shares of the Company with $81,363, and the capital surplus were recognized with $616,933 (including the stock options reclassified as Additional paid in capital of $32,680 and the unamortized discounts on bonds payable of $5,884).

(n) Lease liabilities

The details of lease liabilities were as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Current | $ 4,567 | 2,670 |
| Non-current | $ 4,996 | 1,150 |

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

The amounts recognized in profit or loss were as follows:

| | 2021 | 2020 |
|---|---|---|
| Interest on lease liabilities | $ 99 | 82 |
| Expenses relating to short-term leases | $ 11,651 | 10,709 |

(Continued)

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

| | 2021 | 2020 |
|---|---|---|
| Total cash outflow for leases | $ 16,644 | 98,663 |

(i) Machinery and vehicles lease

The Company leases machinery and vehicles with lease terms of 3 to 5 years.

(ii) Other leases

The Company leases office with contract terms of 1 years. These leases are short-term items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(o) Provisions

| | Warranties |
|---|---|
| Balance at January 1, 2021 | $ 235,477 |
| Provisions made | 329,221 |
| Provisions used | (80,916) |
| Balance at December 31, 2021 | $ 483,782 |
| Balance at January 1, 2020 | $ 182,737 |
| Provisions made | 120,185 |
| Provisions used | (67,445) |
| Balance at December 31, 2020 | $ 235,477 |

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

(p) Employee benefits

(i) Defined benefit plans

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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Present value of defined benefit obligations | $ 236,742 | 229,760 |
| Fair value of plan assets | (130,840) | (130,641) |
| Net defined benefit liability | $ 105,902 | 99,119 |

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

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

1) Composition of plan assets

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to $130,840 at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company for the years ended December 31, 2021 and 2020 were as follows:

| | | 2021 | 2020 |
|---|---|---|---|
| Balance at January 1 | $ | 229,760 | 216,618 |
| Current service costs and interest | | 2,702 | 3,293 |
| Remeasurement of net defined benefit liability | | 10,461 | 9,849 |
| Pension payments | | (6,181) | - |
| Balance at December 31 | $ | 236,742 | 229,760 |

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company for the years ended December 31, 2021 and 2020 were as follows:

| | | 2021 | 2020 |
|---|---|---|---|
| Fair value of plan assets at January 1 | $ | 130,641 | 121,707 |
| Contributions paid by the employer | | 4,081 | 4,079 |
| Expected return on plan assets | | 818 | 1,220 |
| Remeasurement of net defined benefit assets | | 1,481 | 3,635 |
| Pension payments | | (6,181) | - |
| Fair value of plan assets at December 31 | $ | 130,840 | 130,641 |
| Actual return on plan assets | $ | 2,299 | 4,855 |

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company for the years ended December 31, 2021 and 2020 were as follows:

| | | 2021 | 2020 |
|---|---|---|---|
| Service cost | $ | 1,278 | 1,144 |
| Net interest of net liabilities for defined benefit obligations | | 1,424 | 2,149 |
| Expected return on plan assets | | (818) | (1,220) |
| | $ | **1,884** | **2,073** |
| Operating costs | $ | 290 | 163 |
| Selling expenses | | 224 | 175 |
| Administrative expenses | | 306 | 413 |
| Research and development expenses | | 1,064 | 1,322 |
| | $ | **1,884** | **2,073** |

5) Remeasurement of net defined benefit liability (asset) recognized in other comprehensive income

The Company's actuarial gains and losses recognized in other comprehensive income, before tax for the years ended December 31, 2021 and 2020, were as follows:

| | | 2021 | 2020 |
|---|---|---|---|
| Cumulative amount at January 1 | $ | 71,803 | 65,589 |
| Recognized | | 8,980 | 6,214 |
| Cumulative amount at December 31 | $ | **80,783** | **71,803** |

6) Actuarial assumptions

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

i) Present value of defined benefit obligations

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Discount rate | 0.625 % | 0.625 % |
| Future salary increasing rate | 3.000 % | 3.000 % |

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

ii) Defined benefit plan cost

| | 2021 | 2020 |
|---|---|---|
| Discount rate | 0.625 % | 1.000 % |
| Future salary increasing rate | 3.000 % | 3.000 % |

The expected allocation payment made by the Company to the defined benefit plans for the one year period after the reporting date was $4,055.

The weighted-average duration of the defined benefit obligation is 13.42 years.

7) Sensitivity analysis

If the actuarial assumptions as of December 31, 2021 and 2020 had changed, the impact on the present value of the defined benefit obligation shall be as follows:

| | Increased 0.25% | Decreased 0.25% |
|---|---|---|
| December 31, 2021 | | |
| Discount rate | (5,709) | 5,925 |
| Future salary increasing rate | 5,670 | (5,495) |
| December 31, 2020 | | |
| Discount rate | (6,020) | 6,261 |
| Future salary increasing rate | 5,991 | (5,807) |

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2021 and 2020.

8) The payments of pension to the qualified employees made by the Company amounting to $6,181 and $0 for the years ended December 31, 2021 and 2020 respectively.

(ii) Defined contribution plans

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

The Company recognized the pension costs under the defined contribution method amounting to $43,381 and $38,803 for the years ended December 31, 2021 and 2020, respectively. Payment was allocated to the Bureau of Labor Insurance.

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

(q) Income taxes

(i) Income tax expense

1) The amount of income tax (benefit) for the years ended December 31, 2021 and 2020 were as follows:

| | | 2021 | 2020 |
|---|---|---|---|
| Current tax expense | | | |
| Recognized during the period | $ | 527,467 | 565,266 |
| Additional tax on undistributed earnings | | 14,622 | 10,114 |
| Adjustment for prior periods | | (52,577) | (52,654) |
| | | 489,512 | 522,726 |
| Deferred tax expense | | | |
| Origination and reversal of temporary differences | | (24,412) | 112,374 |
| Income tax expense | **$** | **465,100** | **635,100** |

2) The amount of income tax recognized in other comprehensive income for the years ended December 31, 2021 and 2020 were as follows:

| | | 2021 | 2020 |
|---|---|---|---|
| Exchange differences on translation of foreign financial statements | $ | (16,838) | (21,239) |
| Defined benefit plan actuarial gains (losses) | | (1,796) | (1,243) |
| | **$** | **(18,634)** | **(22,482)** |

3) Reconciliation of income tax expense and profit before tax for the years ended December 31, 2021 and 2020 were as follows:

| | | 2021 | 2020 |
|---|---|---|---|
| Income excluding income tax | $ | 2,252,644 | 2,349,042 |
| Income tax using the Company's domestic tax rate | | 450,529 | 469,808 |
| Tax-exempt net profit and loss from investment | | 25,448 | 23,276 |
| Changes in unrecognized temporary differences | | 87,637 | 175,551 |
| Over provision in prior periods | | (52,577) | (52,654) |
| Additional tax on undistributed earnings | | 14,622 | 10,114 |
| Tax credit of investment | | (70,000) | - |
| Others | | 9,441 | 9,005 |
| | **$** | **465,100** | **635,100** |

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities: None.

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

2) Unrecognized deferred tax assets:

Details of unrecognized under deferred tax assets are as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Tax effect of deductible temporary differences | $ 296,430 | 208,793 |

The management considered that the temporary differences would probably not be reversed in the foreseeable future. Therefore, such temporary differences were not recognized under deferred tax assets.

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2021 and 2020 were as follows:

| | Investment income recognized under the equity method (overseas) |
|---|---|
| Deferred Tax Liabilities: | |
| Balance at January 1,2021 | $ 89,378 |
| Recognized in profit or loss | 76,419 |
| Balance at December 31, 2021 | $ 165,797 |
| Balance at January 1,2020 | $ 55,716 |
| Recognized in profit or loss | 33,662 |
| Balance at December 31, 2020 | $ 89,378 |

| | Defined benefit plans | Exchange difference on transaction of foreign financial statements | Loss on inventory valuation | Unrealized exchange losses, net | Unrealized gross profit | Others | Total |
|---|---|---|---|---|---|---|---|
| Deferred Tax Assets: | | | | | | | |
| Balance at January 1,2021 | $ 14,357 | 44,300 | 25,078 | 40,748 | 9,526 | 55,464 | 189,473 |
| Recognized in profit or loss | - | - | 8,638 | 5,063 | 1,888 | 85,242 | 100,831 |
| Recognized in other comprehensive income | 1,796 | 16,838 | - | - | - | - | 18,634 |
| Balance at December 31, 2021 | $ 16,153 | 61,138 | 33,716 | 45,811 | 11,414 | 140,706 | 308,938 |
| Balance at January 1,2020 | $ 13,114 | 23,061 | 49,391 | 55,401 | 68,146 | 36,590 | 245,703 |
| Recognized in profit or loss | - | - | (24,313) | (14,653) | (58,620) | 18,874 | (78,712) |
| Recognized in other comprehensive income | 1,243 | 21,239 | - | - | - | - | 22,482 |
| Balance at December 31, 2020 | $ 14,357 | 44,300 | 25,078 | 40,748 | 9,526 | 55,464 | 189,473 |

(iii) The ROC tax authorities have examined the income tax expenses of the Company through 2019.

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

(r) Capital and other equities

For the years ended December 31, 2021 and 2020, the authorized ordinary stocks were both $3,000,000 of which 216,493 thousand shares and 208,409 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

(i) Ordinary shares

Reconciliation of shares outstanding for 2021 and 2020 were as follows:

| | Ordinary shares | |
|---|---|---|
| **(in thousands of shares)** | **2021** | **2020** |
| Balance on January 1 | 208,409 | 208,535 |
| Cancellation of employee restricted shares | (53) | (126) |
| Convertible bonds converted into ordinary shares | 8,137 | - |
| Balance on December 31 | **216,493** | **208,409** |

In 2018, the Company issued its employee restricted shares amounting to 45,000, wherein the amount of $532 and $1,255, respectively, had been cancelled due to failure in meeting the for vested requirements for the years ended December 31, 2021 and 2020. As of the reporting date, the registration procedure had been completed.

For the year ended December 31, 2021, by the request of bonds holders, the convertible bonds issued by the Company were converted into ordinary shares of $81,363 with 8,137 thousand new shares issued at par value. As of the reporting date, the registration procedures had already been completed, except for the amount of $64,011.

(ii) Capital surplus

The balances of capital surplus were as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Additional paid-in capital | $ 3,943,016 | 3,488,459 |
| Difference between consideration and carry amount arising from acqusition or disposal of subsidiaries | 3,698 | 3,698 |
| Changes in equity of associates and joint ventures and subsidiaries accounted for using equity method | - | 5,602 |
| Issuance of convertible bonds | 15,987 | 48,667 |
| Issuance of employee restricted shares | 69,699 | 115,168 |
| | **$ 4,032,400** | **3,661,594** |

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

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

The capital surplus resulted from the conversion of unsecured convertible bonds converted into ordinary shares from January 1 to December 31, 2021 was $616,933 (including the stock options reclassified as Additional paid in capital of $32,680 and the unamortized discounts on bonds payable of $5,884).

The Company’s Board of Directors meeting held on March 17, 2021 and 2020, approved to distribute the cash dividend of $208,377 ($0.99977022 per share) and $41,696 ($0.2 per share) through capital surplus, respectively. The related information can be accessed through the Market Observation Post System website.

The Company’s Board of Directors meeting held on March 10, 2022, approved to distribute the cash dividend of $217,406 ($1.0 per share) through capital surplus. The related information can be accessed through the Market Observation Post System website after the meeting.

(iii) Retained earnings

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

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

According to the Company’s stable dividend policy, the type of dividends should be determined after considering the business environment, operating performance, financial structure, etc. If retained earnings shall be distributed to stockholders which shall not be lower than 30% of the net income and the cash dividends to stockholders shall not be lower than 10% of total cash and stock dividends.

**ARCADYAN TECHNOLOGY CORPORATION**

**Notes to the Financial Statements**

1) Legal reverse

In accordance with the Company Act as amended, 10 percent of net income after tax should be set aside as legal reserve, until it is equal to paid-in capital. If the Company experienced profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders meeting, and the distribution amount is limited to the portion of legal reserve in excess of 25 percent of the paid-in capital.

2) Special reverse

A portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve in 2019 earnings distribution; while in 2020 earnings distribution, a portion of current period earnings, plus other items recognized as undistributed current period earnings, and undistributed prior period earnings shall be reclassfied as a special earnings reserve. The amount to be reclassified should be equal to the total net current-period reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(iv) Earnings distributed

Earnings distribution for 2020 and 2019 was approved by the shareholders during their annual meeting held on March 17, 2021 and 2020, respectively. The relevant dividend distribution to shareholders were as follows:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | **Amount per share** | **Total amount** | **Amount per share** | **Total amount** |
| Cash dividends distributed to ordinary shareholders | 5.49873625 | $ 1,146,071 | 4.50 | 938,174 |

The earnings distribution for 2021 approved by the Board of Directors meeting held on March 10, 2022 was as follows:

| | 2021 | |
|---|---|---|
| | **Amount per share** | **Total amount** |
| Cash dividends distributed to ordinary shareholders from unappropriated earnings | $ 5.8 | 1,260,956 |

The related information of the earnings distribution for the year 2021, can be accessed through the Market Observation Post System website after the meeting.

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION**

**Notes to the Financial Statements**

(s) Share-based payment

(i) Employee restricted share

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

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

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

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

Unit: in thousands of shares

| | 2021 | 2020 |
|---|---|---|
| Outstanding unit at January 1 | 2,306 | 4,416 |
| Canceled during the period | (53) | (126) |
| Vested during the period | (970) | (1,984) |
| Outstanding unit at December 31 | **1,283** | **2,306** |

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

As of December 31, 2021 and 2020, the unearned employee benefit were $13,030 and $45,606, respectivley.

The compensation cost was related to the employee restricted share were $32,576 and $73,545 for the years ended December 31, 2021 and 2020, respectively.

(t) Earnings per share

The calculation of basic earnings per share and diluted earnings per share for the year 2021 and 2020 were as follows:

(i) Basic earnings per share

1) Net income attributable to ordinary shareholders of the Company

| | 2021 | 2020 |
|---|---|---|
| Net income attributable to ordinary shareholders of the Company | $ **1,787,544** | **1,713,942** |

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

| | 2021 | 2020 |
|---|---|---|
| Weighted-average number of ordinary shares at December 31 | **207,793** | **204,955** |
| Basic earnings per share (dollars) | $ **8.60** | **8.36** |

(ii) Diluted earnings per share

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

| | 2021 | 2020 |
|---|---|---|
| Net income attributable to ordinary shareholders of the Company(basic) (diluted) | $ **1,799,512** | **1,727,669** |

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

| | 2021 | 2020 |
|---|---|---|
| Weighted-average number of outstanding ordinary shares (basic) | 207,793 | 204,955 |
| Effect of remuneration to employees | 2,970 | 3,327 |
| Effect of employee restricted shares unvested | 1,784 | 2,626 |
| Convertible bonds payable | 10,721 | 11,403 |
| Weighted-average number of ordinary shares (diluted) | **223,268** | **222,311** |
| Diluted earnings per share (dollars) | $ **8.06** | **7.77** |

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

(u) Revenue from contracts with customers

(i) Details of revenue

| | | 2021 Networking Product Segment | 2020 Networking Product Segmen |
|---|---|---|---|
| Primary geographical markets | | | |
| Europe | $ | 18,392,522 | 14,647,212 |
| America | | 9,708,319 | 7,180,981 |
| Asia and others | | 7,933,788 | 8,875,087 |
| | $ | **36,034,629** | **30,703,280** |
| Major products: | | | |
| Smart Home Solution | $ | 20,733,920 | 19,124,640 |
| Broadband Solution | | 12,610,535 | 11,009,179 |
| Mobility Solution | | 1,915,641 | 106,218 |
| Materials and others | | 774,533 | 463,243 |
| | $ | **36,034,629** | **30,703,280** |

(ii) Contract balances

| | | December 31, 2021 | December 31, 2020 | January 1, 2020 |
|---|---|---|---|---|
| Accounts receivable | $ | 7,077,791 | 6,311,638 | 7,143,796 |
| Less: allowance for uncollectible accounts | | (24,957) | (24,833) | (22,596) |
| Total | $ | **7,052,834** | **6,286,805** | **7,121,200** |

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

(v) Remuneration to employees and directors

Based on the Company’s articles of incorporation, if there is any profit without the remuneration of employees and directors in a fiscal year, it shall be distributed to employees as remuneration in an amount of not less than five percent (5%) and to directors as remuneration in an amount of not more than two percent (2%) of such profits. In the event that the Company has accumulated losses, the Company shall reserve an amount to offset its accumulated losses. Employees who are entitled to receive the above mentioned employee remuneration, in share or cash, include the employees of the subsidiaries of the Company who meet certain specific requirement.

For the years ended December 31, 2021 and 2020, the Company accrued employee remuneration of $309,470 and $262,880, and directors' remuneration of $16,806 and $16,876, respectively. The estimated amounts mentioned above are based on the net income before tax without the remuneration to employees and directors of each respective ending period, multiplied by the percentage of remuneration to employees and directors as specified under the Company's articles of incorporation. The estimations were recorded under operating expenses during 2021 and 2020.

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

There is no differences between the amounts approved in the Board of Directors' meeting and those recognized in the financial statement for the year ended December 31, 2020, the related information can be accessed through the Market Observation Post System website.

(w) Financial instruments

(i) Credit risk

1) Exposure to credit risk

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

2) Concentration of credit risk

The Company' s customers are mainly from the high-tech industry; therefore, the Company does not concentrate on a specific customer and the sales regions are widely spread, thus, there should be no concern on the significant concentrations of accounts receivable credit risk. In addition, in order to mitigate accounts receivable credit risk, the Company constantly assesses the financial status of its customers, wherein it does not require its customers to provide any collateral.

3) Receivables and debt risk

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

Other financial assets at amortized cost includes other receivables and time deposits. All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note (4)(f). In addition, the counterparties of the time deposits held by the Company are the financial institutions with investment grade credit ratings. Therefore, the credit risk is considered to be low.

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**Notes to the Financial Statements**

The loss allowance provision as of December 31, 2021 and 2020 was determined as follows:

| | Other receivables |
|---|---|
| Balance at January 1, 2021 | $ 45 |
| Impairment loss reversed | (42) |
| Balance at December 31, 2021 | **$ 3** |
| Balance at January 1, 2020 | $ 105 |
| Impairment loss reversed | (60) |
| Balance at December 31, 2020 | **$ 45** |

(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 a year | 1 ~ 2 years | Over 2 years |
|---|---|---|---|---|---|
| **December 31, 2021** | | | | | |
| Non-derivative financial liabilities | | | | | |
| Unsecured bank loans | $ 4,143,580 | (4,143,580) | (4,143,580) | - | - |
| Accounts payable (including related parties) | 7,649,990 | (7,649,990) | (7,649,990) | - | - |
| Other payables (including related parties) | 3,442,911 | (3,442,911) | (3,442,911) | - | - |
| Bonds Payable | 326,571 | (328,500) | (328,500) | - | - |
| Lease liability－current and non-current | 9,563 | (9,700) | (4,656) | (3,616) | (1,428) |
| Deposits received | 27,951 | (27,951) | (27,951) | - | - |
| Derivative financial liabilities | | | | | |
| Other foreign exchange forward contracts: | 989 | | | | |
| Outflow | | (202,293) | (202,293) | - | - |
| Inflow | | 200,996 | 200,996 | - | - |
| | **$ 15,601,555** | **(15,603,929)** | **(15,598,885)** | **(3,616)** | **(1,428)** |

# ARCADYAN TECHNOLOGY CORPORATION
## Notes to the Financial Statements

| | Carrying Amount | Contractual cash flows | Within a year | 1 ~ 2 years | Over 2 years |
|---|---|---|---|---|---|
| **December 31, 2020** | | | | | |
| Non-derivative financial liabilities | | | | | |
| Unsecured bank loans | $ 341,760 | (341,760) | (341,760) | - | - |
| Accounts payable (including related parties) | 8,576,541 | (8,576,541) | (8,576,541) | - | - |
| Other payables | 2,099,040 | (2,099,040) | (2,099,040) | - | - |
| Bonds Payable | 980,219 | (1,000,000) | - | (1,000,000) | - |
| Lease liability－current and non-current | 3,820 | (3,856) | (2,699) | (1,099) | (58) |
| Deposits received | 381 | (381) | (381) | - | - |
| Derivative financial liabilities | | | | | |
| Other foreign exchange forward contracts: | 43,896 | | | | |
| Outflow | | (1,317,070) | (1,317,070) | - | - |
| Inflow | | 1,276,738 | 1,276,738 | - | - |
| Currency swap contracts: | 2,283 | | | | |
| Outflow | | (854,400) | (854,400) | - | - |
| Inflow | | 847,900 | 847,900 | - | - |
| Foreign exchange forward contracts used for hedging: | 2,192 | | | | |
| Outflow | | (209,640) | (209,640) | - | - |
| Inflow | | 208,331 | 208,331 | - | - |
| | $ 12,050,132 | (12,069,719) | (11,068,562) | (1,001,099) | (58) |

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

Unit: thousand of foreign currency

| | December 31, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| | Foreign currency | Exchange rate | TWD | Foreign currency | Exchange rate | TWD |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD | $ 471,166 | USD/TWD =27.68 | 13,041,875 | 333,601 | USD/TWD =28.48 | 9,500,956 |
| EUR | 41,615 | EUR/TWD =31.32 | 1,303,382 | 49,659 | EUR/TWD =34.94 | 1,735,085 |

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION**

**Notes to the Financial Statements**

| | December 31, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| | **Foreign currency** | **Exchange rate** | **TWD** | **Foreign currency** | **Exchange rate** | **TWD** |
| Financial liabilities | | | | | | |
| USD | 588,514 | USD/TWD =27.68 | 16,290,068 | 431,168 | USD/TWD =28.48 | 12,279,665 |

2) Sensitivity analysis

The Company’ s exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables (including related parties), loans and borrowings, accounts payable (including related parties) and other payables (including related parties) that are denominated in foreign currency. The analysis assumes that all other variables remain constant. A strengthening (weakening) 5% of each foreign currency against the functional currency on December 31, 2021 and 2020 would have affected the net income before tax as follows. The analysis is performed on the same basis for both periods:

| | **December 31, 2021** | **December 31, 2020** |
|---|---|---|
| USD (against the TWD) | | |
| Strengthening 5% | $ (162,410) | (138,935) |
| Weakening 5% | 162,410 | 138,935 |
| EUR (against the TWD) | | |
| Strengthening 5% | $ 65,169 | 86,754 |
| Weakening 5% | (65,169) | (86,754) |

3) Exchange gains and losses of monetary items

As the Company deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the yeara ended December 31, 2021 and 2020, the foreign exchange (loss) gain (including realized and unrealized portions) amounted to $(137,476) and $3,558, respectively.

(iv) Interest rate analysis

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

| | **Carrying amount** | |
|---|---|---|
| | **December 31, 2021** | **December 31, 2020** |
| Fixed rate financial instrument: | | |
| Financial assets | $ 4,000,000 | 5,000,000 |
| Financial liabilities | (4,470,151) | (1,321,979) |
| | **$ (470,151)** | **3,678,021** |
| Variable rate financial instrument: | | |
| Financial assets | **$ 2,765,945** | **2,706,460** |

(Continued)

# ARCADYAN TECHNOLOGY CORPORATION
## Notes to the Financial Statements

The following sensitivity analysis is based on the risk exposure to interest rate on 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 year. The rate of change is expressed as the interest rate increase or decrease by 0.25% when reporting to management internally, which also represents management of the Company's assessment on the reasonably possible interval of interest rate change.

If the interest rate had increased or decreased by 0.25%, the net income before tax would have increased or decreased by $6,915 and $6,766 for the years ended December 31, 2021 and 2020, respectively, which would be mainly resulted from the bank savings and borrowings with variable interest rates.

(v) Fair value information

1) The kinds of financial instruments and fair value

The fair value of financial assets and liabilities at fair value through profit or loss, financial instruments used for hedging is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required :

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | Carrying amounts | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets at fair value through profit or loss** | | | | | |
| Derivative financial assets | $ 17,980 | - | 17,980 | - | 17,980 |
| Non-derivative financial assets mandatorily measured at fair value through profit or loss | 37,475 | - | - | 37,475 | 37,475 |
| Subtotal | 55,455 | | | | |
| **Financial assets measured at fair value through other comprehensive income** | | | | | |
| Stocks unlisted on domestic markets | 26,169 | - | - | 26,169 | 26,169 |
| **Financial assets measured at amortized cost** | | | | | |
| Cash and cash equivalents | 6,767,854 | - | - | - | - |
| Notes and accounts receivable, net (including related parties) | 7,052,834 | - | - | - | - |
| Other receivables (including related parties) | 1,422,993 | - | - | - | - |
| Deposits received | 92,483 | - | - | - | - |
| Subtotal | 15,336,164 | | | | |
| Total | **$ 15,417,788** | | | | |

# ARCADYAN TECHNOLOGY CORPORATION
## Notes to the Financial Statements

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | Carrying amounts | Level 1 | Level 2 | Level 3 | Total |
| **Financial liabilities at fair value through profit or loss** | | | | | |
| Derivative financial liabilities | $ 989 | - | 989 | - | 989 |
| **Financial liabilities measured at amortized cost** | | | | | |
| Short-term borrowings | 4,143,580 | - | - | - | - |
| Accounts payable (including related parties) | 7,649,990 | - | - | - | - |
| Other payables | 3,442,911 | - | - | - | - |
| Bonds payable | 326,571 | - | - | - | - |
| Lease liabilities–current and non-current | 9,563 | - | - | - | - |
| Deposits received | 27,951 | - | - | - | - |
| Subtotal | 15,600,566 | | | | |
| Total | **$ 15,601,555** | | | | |

| | December 31, 2020 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | Book value | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets at fair value through profit or loss** | | | | | |
| Derivative financial assets | $ 6,034 | - | 6,034 | - | 6,034 |
| Non-derivative financial assets mandatorily measured at fair value through profit or loss | 42,840 | - | - | 42,840 | 42,840 |
| Subtotal | 48,874 | | | | |
| **Financial assets at fair value through other comprehensive income** | | | | | |
| Stocks unlisted on demestic markets | 31,135 | - | - | 31,135 | 31,135 |
| **Financial assets measured at amortized cost** | | | | | |
| Cash and cash equivalents | 7,707,957 | - | - | - | - |
| Notes and accounts receivable, net (including related parties) | 6,286,805 | - | - | - | - |
| Other receivables (including related parties) | 538,296 | - | - | - | - |
| Deposits received | 66,743 | - | - | - | - |
| Subtotal | 14,599,801 | | | | |
| Total | **$ 14,679,810** | | | | |

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

| | December 31, 2020 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | Book value | Level 1 | Level 2 | Level 3 | Total |
| **Financial liabilities at fair value through profit or loss** | | | | | |
| Derivative financial liabilities | $ 46,179 | - | 46,179 | - | 46,179 |
| **Financial liabilities for hedging** | 2,192 | - | 2,192 | - | 2,192 |
| **Financial liabilities measured at amortized cost** | | | | | |
| Short-term borrowings | 341,760 | - | - | - | - |
| Accounts payable (including related parties) | 8,576,541 | - | - | - | - |
| Other payables | 2,099,040 | - | - | - | - |
| Bonds payable | 980,219 | - | - | - | - |
| Lease liabilities－curent and non-current | 3,820 | - | - | - | - |
| Deposits received | 381 | - | - | - | - |
| Subtotal | 12,001,761 | | | | |
| Total | **$ 12,050,132** | | | | |

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

The Company's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

a) Financial assets and financial liabilities measured at amortized cost

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

3) Valuation technique for financial instruments measured at fair value

a) Non-derivative financial instruments

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

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

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

b) Derivative financial instruments

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

4) Transfers between Level 1 and Level 2

There were no transfers from level 2 to level 1 in 2021 and 2020.

5) Reconciliation of Level 3 fair values

| | At fair value through profit of loss | Fair value through other comprehensive income |
|---|---|---|
| | **Non-derivation financial assets mandatorily measured at fair value through profit or loss** | **Unquoted equity instruments** |
| Opening balance, January 1, 2021 | $ 42,840 | 31,135 |
| Total gains and losses recognized | | |
| In profit or loss | (5,365) | - |
| In other comprehensive income | - | (4,966) |
| Ending balance, December 31, 2021 | **$ 37,475** | **26,169** |
| Opening balance, January 1, 2020 | 44,262 | 49,500 |
| Total gains and losses recognized | | |
| In profit or loss | (1,422) | - |
| In other comprehensive income | - | (18,365) |
| Ending balance, December 31, 2020 | **$ 42,840** | **31,135** |

(Continued)

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For the years ended December 31, 2021 and 2020, 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:

| | 2021 | 2020 |
|---|---|---|
| Total gains and losses recognized: | | |
| In profit or loss, and including “Gains and losses from financial assets(liabilities) at fair value through profit or loss” | $ (5,365) | (1,422) |
| In other comprehensive income, and presented in “unrealized gains and losses from investment in equity instruments measured at fair value through other comprehensive income” | $ (4,966) | (18,365) |

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

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

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

Quantified information of significant unobservable inputs was 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 | ·Price-Book ratio multiples (1.58~5.31, and 1.45~5.33 on December 31, 2021 and 2020, respectively) | ·The higher the multiple is , the higher the fair value will be. |
| | | ·Lack-of-Marketability discount rate (30% on December 31, 2021 and 2020) | ·The higher the Lack-of-Marketability discount rate is, the lower the fair value will be. |

(Continued)

| Item | Valuation technique | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---|---|---|
| Financial assets at fair value through profit or loss-investment 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

For fair value measurements in Level 3, changing one or more of the assumptions to reflect reasonably possible alternative assumptions would have the following effects:

| | Input | Move up or down | Other comprehensive income | |
|---|---|---|---|---|
| | | | Favorable | Unfavorable |
| **December 31, 2021** | | | | |
| Financial assets measured at fair value through other comprehensive income | Price-Book ratio multiples | 5% | $ 1,356 | 1,327 |
| | Lack-of-Marketability discount rae | 5% | $ 573 | 573 |
| **December 31, 2020** | | | | |
| Financial assets measured at fair value through other comprehensive income | Price-Book ratio multiples | 5% | $ 1,572 | 1,599 |
| | Lack-of-Marketability discount rae | 5% | $ 660 | 689 |

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

(x) Financial risk management

(i) Briefings

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

1) Credit risk

2) Liquidity risk

3) Market risk

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

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(ii) Structure of risk management

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

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

(iii) Credit risk

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

1) Accounts receivable and other receivables

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

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

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

2) Investments

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

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

(iv) Liquidity risk

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

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures in compliance with the terms of the loan agreements. The loans and borrowings from the bank form an important source of liquidity for the Company. As of December 31, 2021 and 2020, for the information of the unused credit lines of short-term, please see note (6)(k).

(v) Market risk

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

In order to manage market risk, there are some financial liabilities incurred by the Company from its buying and selling of derivatives. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally, the Company seeks to apply hedge accounting in order to manage volatility in profit or loss.

1) Currency risk

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

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

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

(Continued)

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

– the effect of the counterparty and the Company's own credit risk on the fair value of the forward foreign exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and

– changes in the timing of the cash flows for hedged transactions.

2) Interest rate risk

The Company borrows funds with a stable combination of fix and variable interest rates to maintain its interest rate risk. The Company adopts contracts of interest swap to aviod variability of cash flows attributed to fluctuation of interest rate.

(y) Capital management

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

| | | December 31, 2021 | December 31, 2020 |
|---|---|---|---|
| Total liabilities | $ | 17,298,529 | 13,324,237 |
| Total equity | | 12,656,101 | 11,609,361 |
| Debt-to-equity ratio | | 137 % | 115 % |

As of December 31, 2021, there were no changes in the Company's approach to capital management.

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

The Company's investing and financing activities which did not affect the current cash flow for the years ended December 31, 2021 and 2020were as follows:

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

(ii) Issuance of convertible bonds, please see notes (6)(m).

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

Reconciliation of liabilities arising from financing activities were as follows:

| | January 1, 2021 | Cash flows | Non-cash changes Other | December 31, 2021 |
|---|---|---|---|---|
| Short-term borrowings | $ 341,760 | 3,801,820 | - | 4,143,580 |
| Lease liabilities | 3,820 | (4,894) | 10,637 | 9,563 |
| Bonds payable | 980,219 | - | (653,648) | 326,571 |
| Deposits received | 381 | 27,570 | - | 27,951 |
| Total liabilities from financing activities | **$ 1,326,180** | **3,824,496** | **(643,011)** | **4,507,665** |

| | January 1, 2020 | Cash flows | Non-cash changes Other | December 31, 2020 |
|---|---|---|---|---|
| Short-term borrowings | $ 270,180 | 71,580 | - | 341,760 |
| Lease liabilities | 88,695 | (87,872) | 2,997 | 3,820 |
| Bonds payable | 966,492 | - | 13,727 | 980,219 |
| Deposits received | - | 381 | - | 381 |
| Total liabilities from financing activities | **$ 1,325,367** | **(15,911)** | **16,724** | **1,326,180** |

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

(a) Parent company and ultimate controlling party

Compal Electronics Inc. is both the parent company of the consolidated entity and the ultimate controlling party of the Company. It owns 35 percent of all shares outstanding of the Company, and it has issued the consolidated financial statements available for public use.

(b) Name and relationship with related parties

The followings are related parties that have had transactions with the Company and subsidiaries during the periods covered in the financial statements.

| Name of related party | Relationship with the Company |
|---|---|
| Compal Electronics, Inc. | Parent company |
| Arcadyan Technology N.A. Corp. (Arcadyan USA) | Subsidiaries |
| Arcadyan Germany Technology GmbH (Arcadyan Germany) | 〃 |
| Arcadyan Holding (BVI) Corp. (Arcadyan Holding) | 〃 |
| ZHI-BAO Technology Inc. (ZHI-BAO) | 〃 |
| Tatung Technology Inc. (TTI) | 〃 |
| AcBel Telecom Inc. (AcBel Telecom) (Note 3) | 〃 |

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

| Name of related party | Relationship with the Company |
|---|---|
| Arcadyan Technology Corporation Korea (Arcadyan Korea) | 〃 |
| Arcadyan do Brasil Ltda (Arcadyan Brasil) | 〃 |
| Arcadyan Technology Limited (Arcadyan UK) | 〃 |
| Arcadyan Technology Australia Pty Ltd (Arcadyan AU) | 〃 |
| Arcadyan Technology Corporation (Russia), LLC. (Arcadyan RU) | 〃 |
| Arcadyan India Private Limited (Arcadyan India) | 〃 |
| Sinoprime Global Inc. (Sinoprime) | 〃 |
| Arcadyan Technology (Shanghai) Corp. (SVA) | 〃 |
| Arch Holding (BVI) Corp. (Arch Holding) | 〃 |
| Compal Networking (Kunshan) Co., Ltd. (CNC) | 〃 |
| Arcadyan Technology (Vietnam) Co. Ltd (Arcadyan Vietnam) | 〃 |
| Tatung Technology of Japan Co., Ltd. (TTJC) | 〃 |
| Quest International Group Co., Ltd. (Quest) | 〃 |
| Exquisite Electronic Co., Ltd. (Exquisite) | 〃 |
| Tatung Home Appliance (Wujiang) Co., Ltd. (TCH) | 〃 |
| Leading Images Ltd. (Leading Images) (Note 1) | 〃 |
| Astoria Networks GmbH (Astoria GmbH) (Note 2) | 〃 |
| Kinpo Group Management Service Company | The chairman of the entity's ultimate parent company is the same as that of the Company. |
| Compal Electronics (Vietnam) Co., Ltd. | The entity's ultimate parent company is the same |
| LIZ Electronics (Nantong) Co., Ltd. | An associate of parent company |
| AcBel Polytech Inc. (AcBel) | 〃 |

Note 1: In December 2020, the liquidation procedures had been completed.
Note 2: In October 2020, the liquidation procedures had been completed.
Note 3: The company has been dissolved and liquidated on October 28, 2021.

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

(c) Significant related party transactions

(i) Sales

The amounts of significant sales by the Company to related parties were as follows:

| | | 2021 | 2020 |
|---|---|---|---|
| Subsidiaries: | | | |
| Arcadyan USA | $ | 7,323,420 | 5,413,289 |
| Other subsidiaries | | 1,789,578 | 2,272,824 |
| | **$** | **9,112,998** | **7,686,113** |

Sales prices for subsidiaries and other related parties were similar to those of the third-party customers. The collection period was 45-120 days for the aforementioned related parties.

(ii) Purchases

The amounts of significant purchases by the Company to related parties were as follows:

| | | 2021 | 2020 |
|---|---|---|---|
| Parent company | $ | 15,123 | 3,526 |
| Other related parties | | 15,645 | 16,938 |
| | **$** | **30,768** | **20,464** |

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors. The payment terms ranged from 60 to 120 days, which were no different from the payment terms given by other vendors.

(iii) Processing cost

| | | 2021 | 2020 |
|---|---|---|---|
| Subsidiaries： | | | |
| CNC | $ | 12,985,802 | 11,026,936 |
| Arcadyan Vietnam | | 1,091,354 | 1,065,328 |
| | **$** | **14,077,156** | **12,092,264** |

The Company sold raw materials to related parties due to the demand of processing raw materials. The related revenue and cost had been eliminated in the financial statements, had not been considered as selling raw materials and purchasing finished goods. Any revenue from selling materials is recognized in other receivables.

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

(iv) Other expenditures

Parent company and other related parties provided technical support, professional services and other services for the Company, and the related expenses for the years ended December 31, 2021 and 2020 were as follows:

| | 2021 | 2020 |
|---|---|---|
| Subsidiaries | $ 161,563 | 118,629 |
| Other related parties | 1,082 | 999 |
| | **$ 162,645** | **119,628** |

(v) Lease

The Company lease machinery from other related parties－CVC with a contract term of 5 years in June 2019. The lease payment will be collected by the parent company and had been paid in 2020. The balance of right-of-use assets amounted to $39,190 and $55,406 as of December 31, 2021 and 2020, respectively.

(vi) Loans to related parties

The loans to related parties (including interest receivable) were as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Subsidiaries: | | |
| Arcadyan Brazil | $ 36,148 | 37,128 |
| Arcadyan RU | 6,713 | 6,934 |
| Less: Credit balance of investments accounted for using equity method transferred to dectuction of other receivable from related parties | (14,827) | (16,192) |
| | **$ 28,034** | **27,870** |

The Company has granted loans to related parties and the interest rates were set based on the average interest rates of the unsecured short-term loans that the Company borrowed from financial institutions in the current year. All the loans are not guaranteed loans. There are $172 and $113 interest receivables for the years ended December 31, 2021 and 2020, which are recognized in other receivables, and no need to record a bad debt expense after the assessment.

**ARCADYAN TECHNOLOGY CORPORATION**
**Notes to the Financial Statements**

(vii) Receivables from related parties

The other receivables arising from the transactions with relared parties mentioned above were as follows:

| Account | Related party categories | December 31, 2021 | December 31, 2020 |
|---|---|---|---|
| Accounts receivable | Subsidiaries: | | |
| | Arcadyan USA | $ 2,020,989 | 1,039,758 |
| | Arcadyan Germany | 266,118 | 242,935 |
| | Other subsidiaries | 41,430 | 115,188 |
| | | **$ 2,328,537** | **1,397,881** |
| Other receivables | Subsidiaries: | | |
| | Arcadyan Vietnam | $ 1,276,111 | 303,959 |
| | Arcadyan USA | 77,749 | 129,953 |
| | Other subsidiaries | 4,129 | 5,359 |
| | | **$ 1,357,989** | **439,271** |

(viii) Payables to related parties

The payables arising from the transactions mentioned above, and others on behalf of the related parties were as follows:

| Account | Related party categories | December 31, 2021 | December 31, 2020 |
|---|---|---|---|
| Accounts payable | Parent company | $ 13,937 | 1,823 |
| Accounts payable | Subsidiaries: | | |
| | CNC | 2,028,930 | 3,407,485 |
| | Other related parties | 9,090 | 5,298 |
| | | **$ 2,051,957** | **3,414,606** |
| Other payable | Subsidiaries | **$ 25,205** | **19,862** |

(d) Transactions with key management personnel compensation

Key management personnel compensation comprised:

| | 2021 | 2020 |
|---|---|---|
| Short-term employee benefits | $ 98,521 | 107,231 |
| Post-employment benefits | 1,078 | 1,062 |
| Share-based payments | 5,771 | 19,034 |
| | **$ 105,370** | **127,327** |

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

**ARCADYAN TECHNOLOGY CORPORATION**

**Notes to the Financial Statements**

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

| Assets | Subject | December 31, 2021 | December 31, 2020 |
|---|---|---|---|
| Other current assets | Bail for court mandatory execution | $ - | 41,090 |

**(9) Commitments and contingencies: None**

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

**(11) Subsequent Events: None**

**(12) Other:**

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

| By function / By item | 2021 Cost of sales | 2021 Operating expenses | 2021 Total | 2020 Cost of sales | 2020 Operating expenses | 2020 Total |
|---|---|---|---|---|---|---|
| Employee benefits | | | | | | |
| Salary | 122,762 | 1,435,846 | 1,558,608 | 49,417 | 1,331,903 | 1,381,320 |
| Labor and health insurance | 7,256 | 90,163 | 97,419 | 2,417 | 78,408 | 80,825 |
| Pension | 4,036 | 41,229 | 45,265 | 1,533 | 39,343 | 40,876 |
| Remuneration of directors | - | 16,771 | 16,771 | - | 16,874 | 16,874 |
| Others | 3,509 | 40,740 | 44,249 | 1,178 | 37,641 | 38,819 |
| Depreciation | 22,490 | 92,331 | 114,821 | 22,518 | 81,833 | 104,351 |
| Amortization | 4,916 | 29,205 | 34,121 | 2,239 | 27,022 | 29,261 |

The following are the additional information on the numbers of the Company's employees and their benefits:

| | 2021 | 2020 |
|---|---|---|
| Number of employees | 796 | 702 |
| Number of directors who were not employees | 7 | 7 |
| The average employee benefit | $ 2,212 | 2,218 |
| The average salaries and wages | $ 1,975 | 1,988 |
| Average salary expense adjustment | (0.65)% | 3.54 % |
| Remuneration of supervisors | $ - | - |

The Company's salary and remuneration policy (including directors, managers and employees) is as follows:

The remuneration distribution for each director depends on degree of participation and contribution to the Company, which is reviewed by the Salary and Remuneration Committee and is approved by the Board of Directors.

(Continued)

# ARCADYAN TECHNOLOGY CORPORATION

## Notes to the Financial Statements

The remuneration of managers is according to the position held, contribution to the Company, performance indicators achieved and reference to competitors, the payment shall be reviewed by the Salary and Remuneration Committee and be approved by the Board of Directors.

The salary of employees not only refers to holiday bonus, but also refer to year end bonus and employee remuneration. Annual salary adjustment based on performance and reference to industry standards. The salary adjustment refers to competitors, employee's education, professional technical ability and work experience.

### (13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the year ended December 31, 2021:

(i) Loans to other parties:

Unit: In thousand dollars of TWD and USD

| Number | Name of lender | Name of borrower | Account name | Related party | Highest balance of financing to other parties during the period | Ending balance | Actual usage amount during the period | Range of interest rates during the period | Purposes of fund financing for the borrower (note 1) | Transaction amount for business between two parties | Reasons for short-term financing | Allowance for bad debt | Collateral Item | Collateral Value | Individual funding loan limits (note 2) | Maximum limit of fund financing (note 2, 3, 4 and 5) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0 | The Company | Arcadyan do Brasil Ltda | Other receivables | Yes | 57,020 (USD2,000) | 35,984 (USD1,300) | 35,984 (USD1,300) | 1% | 2 | - | Operating demand | - | - | - | 2,531,220 | 5,062,440 | |
| 0 | 〃 | Arcadyan do Brasil Ltda | 〃 | Yes | 55,620 (USD2,000) | 55,360 (USD2,000) | - | 1% | 2 | - | - | - | - | - | 2,531,220 | 5,062,440 | |
| 0 | 〃 | Arcadyan Technology Limited | 〃 | Yes | 285,100 (USD10,000) | - | - | 1% | 1 | 4,349,995 (USD157,153) | - | - | - | - | 2,531,220 | 5,062,440 | |
| 0 | 〃 | Arcadyan Technology (Vietnam) Co. Ltd. | 〃 | Yes | 285,100 (USD10,000) | 276,800 (USD10,000) | - | 1% | 1 | 4,345,760 (USD157,000) | - | - | - | - | 2,531,220 | 5,062,440 | |
| 0 | 〃 | Arcadyan Technology (Vietnam) Co. Ltd. | 〃 | Yes | 255,510 (USD9,000) | - | - | 1% | 1 | 5,375,096 (USD194,187) | - | - | - | - | 2,531,220 | 5,062,440 | |
| 0 | 〃 | Arcadyan Technology Corporation (Russia), LLC | 〃 | Yes | 57,020 (USD2,000) | - | - | 1% | 1 | 165,990 (USD5,997) | - | - | - | - | 132,792 (USD4,797) | 5,062,440 | |
| 0 | 〃 | Arcadyan Technology Corporation (Russia), LLC | 〃 | Yes | 27,800 (USD1,000) | 27,800 (USD1,000) | 6,705 (RUB18,000) | 1% | 1 | 377,472 (USD13,637) | - | - | - | - | 301,977 (USD10,909) | 5,062,440 | |
| 1 | Arcadyan Holding | CNC | 〃 | Yes | 484,670 (USD17,000) | - | - | 1% | 2 | - | Operating demand | - | - | - | 2,416,212 | 2,416,212 | |
| 1 | Arcadyan Holding | CNC | 〃 | Yes | 470,560 (USD17,000) | 470,560 (USD17,000) | 470,560 (USD17,000) | 1% | 2 | - | Operating demand | - | - | - | 2,416,212 | 2,416,212 | |
| 2 | SVA | CNC | 〃 | Yes | 153,440 (CNY35,000) | - | - | 3.85% | 2 | - | Operating demand | - | - | - | 28,344 | 28,344 | |

# ARCADYAN TECHNOLOGY CORPORATION
## Notes to the Financial Statements

Note 1: Number 1 represents the business relationship with the Company; number 2 represents the short-term financing facility, if necessary.
Note 2: According to the policy of the Company on Lending Funds to Other Parties, the amount of loans to others shall not exceed 40% of the net worth of the Company. To borrowers having business relationship with the Company, the total amount of loans to the borrower shall not exceed 80% of the transaction amount in the last fiscal year or the expected amount for the current year, which shall not exceed 20% of the net worth of the Company. Also, the amount shall be combined with the Company's endorsements/guarantees for the borrower upon calculation. When a short-term financing facility is deemed necessary, only the investees of the Company are allowed to borrow. The total amount of loans to the borrower shall not exceed 80% of the its net worth, nor shall it exceed 20% of the net worth of the Company, and it shall be combined with the the Company's endorsements/guarantees for the borrower upon calculation.
Note 3: According to the policy of Arcadyan Holding on Loaning 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: According to the policy of SVA on Loaning Funds to Others, the amount of loans to others shall not exceed 40% of the net worth of SVA. To borrowers having business relationship with SVA, 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 SVA. Also, the amount shall be combined with SVA's endorsements/ guarantees for the borrower upon calculation. When a short term financial facility is deemed necessary, only the investees of SVA are allowed to borrow. The total amount of loans to the borrower shall not exceed 80% of its net worth , nor shall it exceed 20% of the net worth of SVA, and it shall be combined with the SVA's endorsements/ guarantees for the borrower upon calculation.
Note 5: The amounts in New Taiwan Dollars were translated at the exchange rate of 27.68(USD), $4.344 (CNY) and $0.3725 (RUB) based on the year-end date.

(ii) Guarantees and endorsements for other parties:

Unit: thousand dollars of TWD/USD

| No. | Name of guarantor | Counter-party of guarantee and endorsement: Name | Counter-party of guarantee and endorsement: Relationship with the Company | Limitation on amount of guarantees and endorsements for a specific enterprise (note 1) | Highest balance for guarantees and endorsements during the period | Balance of guarantees and endorsements as of reporting date | Actual usage amount during the period | Property pledged for guarantees and endorsements (Amount) | Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements | Maximum amount for guarantees and endorsements | Parent company endorsements/ guarantees to third parties on behalf of subsidiary (note 2) | Subsidiary endorsements / guarantees to third parties on behalf of parent company (note 2) | Endorsements/ guarantees to third parties on behalf of companies in Mainland China (note 2) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0 | The Company | Arcadyan Technology Australia Pty Ltd. | 100% Owned subsidiary | 1,687,480 | 209,700 (USD7,500) | 207,600 (USD7,500) | - | - | 1.64 % | 5,062,440 | Y | N | N |

Note 1: According to the policy of the Company for Endorsements and Guarantee, the total amount shall not exceed 40% of the net worth of the latest financial statements audited or reviewed by Certified Public Accountants, and the amount for a single company shall not exceed 1/3 of the total amount.
Note 2: Fill in "Y" if applicable, or "N" if not applicable.

(iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures):

Unit: In thousand dollars of TWD/thousand shares

| Name of holder | Category and name of security | Relationship with company | Account title | Ending balance: Shares | Ending balance: Carrying value | Ending balance: Percentage of ownership (%) | Ending balance: Fair value | Note |
|---|---|---|---|---|---|---|---|---|
| The Company | Geo Things Inc. | - | Financial assets at fair value through profit or loss-noncurrent | 200 | - | 7.14 % | - | |
| 〃 | AirHop Communication, Inc. | - | 〃 | 1,152 | - | 4.60 % | - | |
| 〃 | Adant Technologies Inc. | - | 〃 | 349 | - | 4.93 % | - | |
| 〃 | IOT Eye, Inc. | - | 〃 | 60 | - | 13.75 % | - | |
| 〃 | TIEF Fund, L.P. | - | 〃 | - | 37,475 | 7.49 % | 37,475 | |
| 〃 | Chimei Motor Electronic Co Ltd. | - | Financial assets at fair value through other comprehensive income-non-current | 1,650 | 26,169 | 7.17 % | 26,169 | |
| 〃 | Golden Smart home Technology Corp. | - | 〃 | 1,229 | - | 6.14 % | - | |

(Continued)

# ARCADYAN TECHNOLOGY CORPORATION

## Notes to the Financial Statements

(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 TWD)

| Name of company | Category and name of security | Account name | Name of counter-party | Relationship with the company | Beginning Balance | | Purchases | | Sales | | | | | | Ending Balance | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | Amount | Shares | Amount | Shares | Price | Cost | Gain (loss) on disposal | Shares | Amount | Shares | Amount |
| CNC | KRC Bank Gold Binary Structured Deposit | Current financial assets at fair value through profit or loss | KRC Bank | - | - | - | - | 390,513 | - | 393,959 | 390,513 | 3,446 | - | - | - | - |
| 〃 | Agricultural Bank of China "HuiLiFeng" Customization RMB structured deposit | 〃 | Agricultural Bank of China | - | - | 130,799 | - | 260,342 | - | 393,905 | 390,513 | 3,392 | - | (628) (note 1) | - | - |

Note: Others include evaluation of profit and loss and exchange gains or losses etc.

(v) Acquisition of individual real estate with amount exceeding the lower of TWD$300 million or 20% of the capital stock:

(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 | Relation-ship with the Company | Date of transfer | Amount | | | |
| The Company | Land located at Guangfu Rd., Hsinchu City | March 17, 2021 | 415,480 | Fully paid | Natural person | Non-related party | Not applicable | Not applicable | Not applicable | Not applicable | Bargaining in terms of appraisal | Operational use | None |

Note 1: In respobnse to the demand of the business operation, the Group authorized the chairman to purchase land within $500,000 by a resolution of the Board of Directors on March 17, 2021. In addition, the Group has signed the land purchase agreement with non-related parties on April 7, 2021.

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

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

Unit: In thousand dollars of TWD

| Name of company | Related party | Nature of relationship | Transaction details | | | | Transactions with terms different from others | | Notes/Accounts receivable (payable) | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase/ Sale | Amount | Percentage of total purchases/ sales | Payment terms | Unit price | Payment terms | Ending balance | Percentage of total notes/accounts receivable (payable) | |
| The Company | Arcadyan Germany | Subsidiary | (Sales) | (1,226,052) | (3)% | Net 150 days from delivery | - | - | 266,118 | 4 % | |
| 〃 | Arcadyan USA | 〃 | (Sales) | (7,323,420) | (20)% | Net 120 days from delivery | - | - | 2,020,989 | 29 % | |
| 〃 | Arcadyan AU | 〃 | (Sales) | (505,287) | (1)% | Net 60 days from the end of the month of delivery | - | - | 23,439 | - % | |

# ARCADYAN TECHNOLOGY CORPORATION
## Notes to the Financial Statements

| Name of company | Related party | Nature of relationship | Transaction details | | | | Transactions with terms different from others | | Notes/Accounts receivable (payable) | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase/ Sale | Amount | Percentage of total purchases/ sales | Payment terms | Unit price | Payment terms | Ending balance | Percentage of total notes/accounts receivable (payable) | |
| The Company | CNC | 〃 | Purchases | 12,985,802 | 26 % | Net 120 days from delivery | According to cost plus pricing | - | (2,028,930) | (27)% | Note 1 |
| 〃 | Arcadyan Vietnam | 〃 | Purchases | 1,091,354 | 2 % | Net 180 days from the end of the month of delivery | 〃 | - | Note 2 | - % | Note 1 |
| CNC | The Company | Parent company | (Sales) | (12,985,802) | (100)% | Net 120 days from delivery | 〃 | - | 2,028,930 | - % | Note 1 |
| Arcadyan Vietnam | The Company | Parent company | (Sales) | (1,091,354) | (100)% | Net 180 days from the end of the months of delivery | - | - | Note 2 | - % | Note 1 |
| Arcadyan Germany | The Company | Parent company | Purchases | 1,226,052 | 100 % | Net 150 days from delivery | - | - | (266,118) | (100)% | |
| Arcadyan USA | 〃 | 〃 | Purchases | 7,323,420 | 100 % | Net 120 days from delivery | - | - | (2,020,989) | (100)% | |
| Arcadyan AU | 〃 | 〃 | Purchases | 505,287 | 100 % | Net 60 days from the end of the month of delivery | - | - | (23,439) | (100)% | |

Note 1: The ending balance derived from the transactions on processing and sales of raw material.
Note 2: As of December 31, 2021, the other receivables were of amounted to 1,276,111 thousand.

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

Unit: In thousands 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 Germamy | Subsidiary | 266,118 | 4.82 | - | | 94,823 | - |
| 〃 | Arcadyan USA | 〃 | 2,020,989 | 4.79 | - | | 1,360,434 | - |
| 〃 | Arcadyan Vietnam | 〃 | 1,276,111 (Note 2) | (Note 2) | - | | - | - |
| CNC | The Company | Parent company | 2,028,930 (note 1) | 4.78 | - | | 1,854,440 | - |

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

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

Note 3: Balance as of March 1, 2022.

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

# ARCADYAN TECHNOLOGY CORPORATION

## Notes to the Financial Statements

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2021 (excluding information on investees in Mainland China):

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

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Balance as of December 31, 2021 | | | Net Income (Losses) of the Investee | Investment Income (losses) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2021 | December 31, 2020 | Shares (thousands) | Percentage of ownership | Carrying value | | | |
| The Company | Arcadyan Holding | British Virgin Islands | Investment activities | 2,219,782 | 2,359,732 | 64,780 | 100% | 2,323,746 | 335,159 | 289,888 | Subsidiary |
| The Company | Arcadyan USA | USA | Selling of wireless networking products | 23,055 | 23,055 | 1 | 100% | 162,359 | 83,123 | 83,123 | 〃 |
| The Company | Arcadyan Germany | Germany | Selling and technical support of wireless networking products | 1,125 | 1,125 | 0.5 | 100% | 76,914 | 8,474 | 8,474 | 〃 |
| The Company | Arcadyan Korea | Korea | Selling of wireless networking products | 2,879 | 2,879 | 20 | 100% | 11,899 | (436) | (436) | 〃 |
| The Company and ZHI-BAO | Arcadyan Brasil | Brasil | Selling of wireless networking products | 81,593 | 81,593 | 968 | 100% | (14,827) | (148) | (148) | 〃 |
| The Company | ZHI-PAL | Taipei City | Investment activities | 48,000 | 48,000 | 34,980 | 100% | 415,117 | 6,825 | 6,825 | 〃 |
| The Company | TTI | Taipei City | Research and development, and selling digital home appliance | 308,726 | 308,726 | 25,028 | 61% | 371,174 | (219,951) | (134,266) | 〃 |
| The Company | AcBel Telecom | Taipei City | Investment activities | 23,000 | 23,000 | 4,494 | 51% | 32,638 | (121) | (62) | 〃 |
| The Company | Arcadyan UK | England | Technical support of wireless networking products | 1,988 | 1,988 | 50 | 100% | 4,206 | 793 | 793 | 〃 |
| The Company | Arcadyan AU | Austrilia | Selling of wireless networking products | 1,161 | 1,161 | 50 | 100% | 41,705 | 3,213 | 3,213 | 〃 |
| The Company | Arcadyan RU | Russia | Selling of wireless networking products | 7,672 | 2,492 | - | 100% | 5,856 | (1,361) | (1,361) | 〃 |
| The Company | CBN | Hsinchu County | Manufacturing and selling of broadband network products | 11,925 | 11,925 | 533 | 1% | 12,642 | 32,744 | 261 | Investments accounted for using equity method |
| The Company and ZHI-BAO | Arcadyan India | India | Selling of wireless networking products | 13,507 | - | 3,500 | 100% | 11,389 | (1,448) | (1,448) | Subsidiary |
| Arcadyan Holding | Sinoprime | British Virgin Islands | Investment activities | 804,104 (USD29,050) | 527,304 (USD19,050) | 29,050 | 100% | 854,011 (USD30,853) | 138,028 (USD4,928) | Investment gain (losses) recognized by Arcadyan Holding | Sub-Subsidiary |
| 〃 | Arch Holding | British Virgin Islands | Investment activities | 304,784 (USD11,011) | 304,784 (USD11,011) | 35 | 100% | 1,045,972 (USD37,788) | 186,372 (USD6,655) | 〃 | 〃 |
| Sinoprime | Arcadyan Vietnam | Vietnam | Manufacturing of wireless networking products | 802,720 (USD29,000) | 525,920 (USD19,000) | - | 100% | 849,942 (USD30,706) | 138,028 (USD4,928) | Investment gain(losses) recognized by Sinoprime | 〃 |
| TTI | Quest | Samoa | Investment activities | 33,216 (USD1,200) | 33,216 (USD1,200) | 1,200 | 100% | (64,119) | (96,963) | Investment gain(losses) recognized by TTI | 〃 |
| TTI | TTJC | Japan | Selling digital home appliance | 9,626 | 9,626 | 0.7 | 100% | 3,945 | (1,325) | 〃 | 〃 |
| Quest | Exquisite | Samoa | Investment activities | 32,386 (USD1,170) | 32,386 (USD1,170) | 1,170 | 100% | (76,480) (USD(2,763)) | (96,967) (USD(3,462)) | Investment gain(losses) recognized by Quest | 〃 |
| ZHI-BAO | CBN | Hsinchu County | Manufacturing and selling of broadband network products | 36,272 | 36,272 | 13,140 | 19.19% | 311,536 | 32,744 | Investment gain (losses) recognized by ZHI-BAO | Investments accounted for using equity method by subsidiary |

Note 1: The amounts in New Taiwan Dollars were translated at the exchange rate of $US28.009 / EUR$33.159 based on the yearly average exchange rate for net income(losses) of the investees, others were translated at the exchange rate of US$27.68/EUR$31.32 based on the year-end date.

(Continued)

# ARCADYAN TECHNOLOGY CORPORATION
## Notes to the 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 thousands of TWD/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, 2020 | Investment flows: Outflow | Investment flows: Inflow (note 6) | Accumulated outflow of investment from Taiwan as of December 31, 2021 | Net income (losses) of the investee | Percentage of ownership | Investment income (losses) | Book value | Accumulated remittance of earnings in current period | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| SVA | Research and sale of wireless networking products | 224,208 (USD8,100) | note 1 | (Note 4) 509,866 (USD18,420) | - | 138,400 (USD5,000) | 371,466 (USD13,420) | 6,442 (USD230) | 100% | 6,442 (USD230) | 28,344 (USD1,024) | - | Note 3 |
| CNC | Manufacturing of wireless networking products | 344,616 (USD12,450) | 〃 | (Note 5) 304,784 (USD11,011) | - | - | 304,784 (USD11,011) | 186,372 (USD6,654) | 100% | 186,372 (USD6,654) | 1,045,972 (USD37,788) | - | 〃 |
| TCH | Manufacturing of household electronics products | 92,728 (USD3,350) | notes 1 and 7 | 31,832 (USD1,150) | - | - | 31,832 (USD1,150) | (96,967) (US(3,462)) | 100% | (96,967) (USD(3,462)) | (76,950) (USD(2,780)) | - | 〃 |

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 $US28.009 based on the yearly average exchange rate for net income(losses) of the investees, others were translated at the exchange rate of US$27.68 based on the year-end date.
Note 3: The amounts are according to the financial statements which have been audited and certified by parent company's independent external CPA.
Note 4: The Company paid US$18,420 thousands and acquired 100% shares of SVA Arcadyan 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: SVA decreased its capital amounting to US$15,000 thousands to offset its accumulated losses in March 2009. On April 7, 2021, the capital had been returned to the shareholders amounting to US$5,000.
Note 7: The Company's subsidiary, TTI, obtained control over TCH for US$1,150 thousands on February 28, 2013 (base date of stock transferring).

(ii) Limitation on investment in Mainland China:

| Accumulated Investment in Mainland China as of December 31, 2021 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment |
|---|---|---|
| 708,082 (USD25,581) | 708,082 (USD25,581) | 7,593,661 |

Note : The amounts in TWD were translated at the exchange rate of $27.68 on December 31, 2021.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China for the year ended December 31, 2021, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

# ARCADYAN TECHNOLOGY CORPORATION

## Notes to the Financial Statements

(d) Major shareholders:

| Shareholding / Shareholder's Name | Shares | Percentage |
|---|---|---|
| Compal Electronics Inc. | 41,304,504 | 19.08 % |
| Capital Investment In Custody For New Labor Pension Fund (2021 I) | 11,182,298 | 5.16 % |

**(14) Segment information:**

Please refer to the consolidated financial statements for the year ended December 31, 2021.

**ARCADYAN TECHNOLOGY CORPORATION**

**Statement of cash and cash equivalents**

**December 31, 2021**

**(Expressed in thousands of TWD)**

| Item | Description | Amount |
|---|---|---|
| Cash on hand | | $ 1,276 |
| Checking accounts and demand deposits | TWD | 2,281,326 |
| | Foreign currency (USD984 thousand, EUR13,455 thousand and others) | 485,252 |
| Time deposits | TWD (maturity date: January 14, 2022~June 29, 2022) | 4,000,000 |
| Total | | **$ 6,767,854** |

Note：The exchange rate: USD 1 = NTD 27.68

EUR 1 = NTD 31.32

**Statement of accounts receivable**

| Client Name | Description | Amount |
|---|---|---|
| X Corporation | Non-related parties | $ 659,306 |
| III Corporation | 〃 | 558,577 |
| VI Corporation | 〃 | 514,055 |
| V Corporation | 〃 | 493,608 |
| II Corporation | 〃 | 471,357 |
| IX Corporation | 〃 | 268,552 |
| VII Corporation | 〃 | 216,113 |
| Other (note) | | 1,567,686 |
| Total | | 4,749,254 |
| Less: Allowance for uncollectible accounts | | 24,957 |
| Net amount | | **$ 4,724,297** |

Note: The amount of each item in others does not exceed 5% of the account balance.

**ARCADYAN TECHNOLOGY CORPORATION**

**Statement of inventories**

**December 31, 2021**

**(Expressed in thousands of TWD)**

| | Amount | |
|---|---|---|
| **Item** | **Cost (note)** | **Net realizable value** |
| Finished goods | $ 4,890,445 | 5,444,890 |
| Raw material | 3,694,269 | 3,694,269 |
| | **$ 8,584,714** | **9,139,159** |

Note: Book value is the amount that the cost less the allowance for loss on inventory valuation.

**ARCADYAN TECHNOLOGY CORPORATION**

**Statement of changes in investment accounted for using equity method**

**For the year ended December 31, 2021**

**(Expressed in thousands of TWD)**

| | Beginning Balance | | Additions (Note2) | | Decrease (Note3) | | | | Ending Balance | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Name of investee** | **shares** | **Amount** | **shares** | **Amount** | **shares** | **Amount** | **Profit or loss of investment** | **Other (Note1)** | **shares** | **Percentage of holding shares** | **Amount** | **Net assets value** | **Pledge or collateral** |
| Arcadyan Holding | 69,780 | $ 2,240,149 | - | - | (5,000) | (139,950) | 289,888 | (66,341) | 64,780 | 100 % | 2,323,746 | 2,416,212 | None |
| Arcadyan USA | 1 | 91,507 | - | - | - | - | 83,123 | (12,271) | 1 | 100 % | 162,359 | 217,312 | 〃 |
| Arcadyan Germany | 0.5 | 76,874 | - | - | - | - | 8,474 | (8,434) | 0.5 | 100 % | 76,914 | 76,914 | 〃 |
| Arcadyan Korea | 20 | 13,858 | - | - | - | - | (436) | (1,523) | 20 | 100 % | 11,899 | 11,899 | 〃 |
| Arcadyan Brazil | 965 | (16,192) | - | - | - | - | (148) | 1,513 | 965 | 99 % | (14,827) | (14,499) | 〃 |
| Arcadyan UK | 50 | 3,555 | - | - | - | - | 793 | (142) | 50 | 100 % | 4,206 | 4,206 | 〃 |
| Arcadyan AU | 50 | 46,106 | - | - | - | - | 3,213 | (7,614) | 50 | 100 % | 41,705 | 45,552 | 〃 |
| ZHI-BAO | 34,980 | 423,997 | - | - | - | (8,570) | 6,825 | (7,135) | 34,980 | 100 % | 415,117 | 415,117 | 〃 |
| TTI | 25,028 | 503,434 | - | - | - | - | (134,266) | 2,006 | 25,028 | 61 % | 371,174 | 369,421 | 〃 |
| AcBel Telecom | 4,494 | 32,700 | - | - | - | - | (62) | - | 4,494 | 51 % | 32,638 | 32,638 | 〃 |
| CBN | 533 | 13,204 | - | - | - | (533) | 261 | (290) | 533 | 1 % | 12,642 | 12,653 | 〃 |
| Arcadyan RU | - | 2,142 | - | 5,181 | - | - | (1,361) | (106) | - | 100 % | 5,856 | 5,881 | 〃 |
| Arcadyan India | - | - | 3,465 | 13,372 | - | - | (1,448) | (535) | 3,465 | 99 % | 11,389 | 11,524 | |
| Total | | **$ 3,431,334** | | **18,553** | | **(149,053)** | **254,856** | **(100,872)** | | | **3,454,818** | | |

Add: Recorded as deduction of other receivable-Arcadyan Brazil: 14,827

**$ 3,469,645**

Note1：Others are the adjustment of foreign currency exchange, the adjustment under equity method valuation and unrealized gross profit.
Note2：Capital increase by cash of subsidiaries.
Note3：The amounts are cash dividends of $9,103 from subsidiaries and associates and proceeds of $139,950 from capital reduction.

**ARCADYAN TECHNOLOGY CORPORATION**

**Statement of changes in property, plant and equipment**

**For the year ended December 31, 2021**

**(Expressed in thousands of TWD)**

Please refer to note 6(h) for Property, plant and equipment.

**Statement of accounts payable**

**December 31, 2021**

**(Expressed in thousands of TWD)**

| Client Name | Description | Amount |
|---|---|---|
| Accounts payable | | |
| Corporation A | non-related parties/operating | $ 1,704,234 |
| Corporation U | 〃 | 869,665 |
| Others (Note) | | 3,024,134 |
| | | **$ 5,598,033** |

Note: The amount of each item in others does not exceed 5% of the account balance.

**ARCADYAN TECHNOLOGY CORPORATION**

**Statement of other payable**

**December 31, 2021**

**(Expressed in thousands of TWD)**

| Item | Description | | Amount |
|---|---|---|---|
| Royalty payable | | $ | 1,539,798 |
| Bonus payable and employees compensations payable | Estimated year-end bonuses and employees' compensations for 2021 | | 800,611 |
| Import and export fee payable | | | 590,898 |
| Others (Note) | Employee benefits provisions , labor health insurance and others, etc. | | 511,604 |
| | | **$** | **3,442,911** |

Note: The amount of each item in others does not exceed 5% of the account balance.

**Statement of operating revenue**

**For the year ended December 31, 2021**

| Item | Quantity (in thousands) | | Amount |
|---|---|---|---|
| Operating revenue: | | | |
| Smart Home Solution | Note | $ | 20,954,227 |
| Broadband Solution | | | 12,664,162 |
| Mobility Solution | | | 1,922,825 |
| Materials and others | | | 774,560 |
| Less: Sales returns and discounts | | | (281,145) |
| Net operating revenue | | **$** | **36,034,629** |

Note: Due to multi-categories, it's difficult to count.

**ARCADYAN TECHNOLOGY CORPORATION**

**Statement of operating costs**

**For the year ended December 31, 2021**

**(Expressed in thousands of TWD)**

| Item | Amount |
|---|---|
| Raw materials | |
| Raw materials, beginning of year | $ 2,147,095 |
| Add: Purchases | 20,396,048 |
| Less: Raw materials, end of year | (4,296,445) |
| Operating expense and others | (21,647) |
| Raw material used | 18,225,051 |
| Processing cost, technical support fee and depreciation | 14,806,708 |
| Total manufacturing Cost | 33,031,759 |
| Add: Work in progress, beginning of the year | - |
| Less: Work-in-progress, end of the year | - |
| Cost of finished goods | 33,031,759 |
| Add: Finished goods, beginning of year | 3,437,660 |
| Less: Finished goods, end of year | (5,030,656) |
| Operating expense and others | (77,183) |
| Cost of finished goods sold | 31,361,580 |
| Allowance for obsolesence loss and inventory valuation | 91,454 |
| Operating costs | **$ 31,453,034** |

**ARCADYAN TECHNOLOGY CORPORATION**

**Statement of selling, administrative, research and development expenses**

**For the year ended December 31, 2021**

**(Expressed in thousands of TWD)**

| Item | Selling expenses | Administrative expenses | Research and development expenses |
|---|---|---|---|
| Salaries | $ 170,736 | 167,328 | 1,114,553 |
| Service expense | 135,549 | 66,847 | 108,783 |
| Warranty | 91,776 | - | - |
| Depreciation | 2,321 | 33,715 | 56,295 |
| Testing | 3,709 | 200 | 107,706 |
| Others (Note) | 108,022 | 82,197 | 305,470 |
| Total | **$ 512,113** | **350,287** | **1,692,807** |

Note: The amount of each item in others does not exceed 5% of the account balance.