

AUDEN TECHNO CORP. AND SUBSIDIARIES**Consolidated Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021****Address: No. 19, Lane 772, Heping Road, Bade District, Taoyuan City
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The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

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

Company name: Auden Techno Corp.

Chairman: Chang, Yu-Pin

Date: March 14, 2023



安侯建業聯合會計師事務所

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Independent Auditors' Report

To the Board of Directors of Auden Techno Corp.:

Opinion

We have audited the accompanying consolidated financial statements of Auden Techno Corp. ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis 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 consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

Please refer to note 4(o) for the relevant accounting policy regarding recognition of revenue, and refer to note 6(u) for relevant disclosures.

Description of key audit matter

The Sales revenue of the Group is a key indicator for management to evaluate financial or business performance. and is highly expected by the investors. Therefore, the revenue recognition has been identified as a key audit matter.

How the matter was addressed in our audit:

Our audit procedures include testing the effectiveness of the design and implementation of the internal controls in relation to revenue recognition and cash collection, conducting trend analysis for the top ten customers by comparing the changes or differences to evaluate if there is any significant irregularity, performing random sample checking on the sales transactions to evaluate the authenticity of these transactions, the correctness of the recognized amount of sales revenue and the reasonableness of the timing of recording, and reviewing samples of sales transactions for a specified period before and after the end of the year to assess whether the timing of revenue recognition is appropriate.

Other Matter

The Company has prepared its parent company only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditor's 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 Lily Lu and Lin Wu.

KPMG

Taipei, Taiwan (Republic of China)

March 14, 2023

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
AUDEN TECHNO CORP. AND SUBSIDIARIES

Consolidated Statements of Financial Position

December 31, 2022 and 2021

(All amounts expressed in thousands of New Taiwan dollars)

	December 31, 2022		December 31, 2021			December 31, 2022		December 31, 2021			
	Amount	%	Amount	%		Amount	%	Amount	%		
11xx	Assets				21xx	Liabilities and Equity					
1100	Current assets:				2150	Current liabilities:					
1100	\$	1,411,209	46	667,762	29	2150	Notes payable	38,092	1	44,496	2
1150		23,863	1	41,082	2	2170	Accounts payable	156,494	5	220,997	10
1170		326,811	11	297,206	13	2200	Other payables (note 6(v))	285,575	10	213,080	9
1200		110,452	4	85,524	4	2230	Current tax liabilities	70,307	2	16,522	1
1220		129	-	-	-	2280	Current lease liabilities (notes 6(o) and 7)	6,800	-	11,479	-
130X		325,986	11	315,300	14	2399	Other current liabilities (note 6(u))	<u>220,899</u>	<u>7</u>	<u>109,064</u>	<u>5</u>
1410		30,593	1	37,637	2		Total current liabilities	<u>778,167</u>	<u>25</u>	<u>615,638</u>	<u>27</u>
1476		48,919	1	55,874	2	25xx	Non-Current liabilities:				
1479		<u>2,293</u>	-	<u>13,338</u>	-	2530	Bond payables (note 6(n))	391,559	13	-	-
		Total current assets	75	1,513,723	66	2540	Long-term borrowings (notes 6(m), (aa) and 8)	190,000	6	190,000	8
15xx	Non-current assets:				2570	Deferred tax liabilities (note 6(q))					
1510		80	-	-	-	2580	Non-current lease liabilities (notes 6(o) and 7)	11,558	-	57,853	3
1517						2630	Long-term deferred revenue	-	-	4,343	-
		84,158	3	71,326	3	2640	Non-current net defined benefit liability (note 6(p))	657	-	1,073	-
1600		498,054	16	558,897	25	2645	Guarantee deposits	<u>130</u>	-	<u>130</u>	-
1755		19,940	1	68,225	3		Total non-current liabilities	<u>666,036</u>	<u>22</u>	<u>306,763</u>	<u>13</u>
1760		5,351	-	5,490	-	2xxx	Total liabilities	<u>1,444,203</u>	<u>47</u>	<u>922,401</u>	<u>40</u>
1780		7,920	-	9,405	-	31xx	Equity attributable to owners of parent (notes 6(n), (r) and (s)):				
1840		39,325	1	25,592	1	3110	Ordinary shares	467,131	16	467,217	20
1980		108,025	4	29,983	1	3200	Capital surplus	476,307	16	384,651	17
1990		<u>7,857</u>	-	<u>15,607</u>	<u>1</u>	3300	Retained earnings	679,268	22	498,372	22
		Total non-current assets	25	784,525	34	3400	Other equity interest	<u>(15,944)</u>	<u>(1)</u>	<u>(25,931)</u>	<u>(1)</u>
							Total equity attributable to owners of parent	<u>1,606,762</u>	<u>53</u>	<u>1,324,309</u>	<u>58</u>
						36xx	Non-controlling interests (note 6(g))	<u>-</u>	<u>-</u>	<u>51,538</u>	<u>2</u>
						3xxx	Total equity	<u>1,606,762</u>	<u>53</u>	<u>1,375,847</u>	<u>60</u>
1xxx	Total assets				2-3xxx	Total liabilities and equity					
	\$	<u>3,050,965</u>	<u>100</u>	<u>2,298,248</u>	<u>100</u>			<u>\$ 3,050,965</u>	<u>100</u>	<u>2,298,248</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

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

AUDEN TECHNO CORP. AND SUBSIDIARIES**Consolidated Statements of Comprehensive Income****For the years ended December 31, 2022 and 2021****(All amounts expressed in thousands of New Taiwan dollars)**

	2022		2021	
	Amount	%	Amount	%
4000 Operating revenue (note 6(u))	\$ 1,718,039	100	1,432,826	100
5000 Operating costs (note 6(e))	<u>1,024,215</u>	<u>60</u>	<u>827,467</u>	<u>58</u>
5900 Gross profit	<u>693,824</u>	<u>40</u>	<u>605,359</u>	<u>42</u>
6000 Operating expenses (notes 6(c), (p), (s), (v) and 7):				
6100 Selling expenses	188,023	11	134,140	9
6200 Administrative expenses	193,432	11	178,326	13
6300 Research and development expenses	214,649	12	139,719	10
6450 Expected credit losses (reversal of expected credit losses)	<u>1,793</u>	<u>-</u>	<u>(1,953)</u>	<u>-</u>
Total operating expenses	<u>597,897</u>	<u>34</u>	<u>450,232</u>	<u>32</u>
6900 Net operating income	<u>95,927</u>	<u>6</u>	<u>155,127</u>	<u>10</u>
7000 Non-operating income and expenses (notes 6(f), (n), (o), (w) and 7):				
7100 Interest income	3,707	-	3,000	-
7010 Other income	68,180	4	51,595	4
7020 Other gains and losses	244,286	14	108,713	8
7050 Finance costs	<u>(10,103)</u>	<u>-</u>	<u>(2,772)</u>	<u>-</u>
Total non-operating income and expenses	<u>306,070</u>	<u>18</u>	<u>160,536</u>	<u>12</u>
7900 Income before income tax	401,997	24	315,663	22
7950 Less: Income tax expenses (note 6(q))	<u>78,408</u>	<u>5</u>	<u>30,334</u>	<u>2</u>
8200 Net income	<u>323,589</u>	<u>19</u>	<u>285,329</u>	<u>20</u>
8300 Other comprehensive income (notes 6(p), (q) and (r)):				
8310 Items that will not be reclassified subsequently to profit or loss				
8311 Remeasurement of defined benefit plans	355	-	1,314	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	<u>(23,030)</u>	<u>(1)</u>	<u>(8,233)</u>	<u>(1)</u>
8349 Less: income tax related to items that will not be reclassified subsequently to profit or loss	<u>71</u>	<u>-</u>	<u>263</u>	<u>-</u>
Total items that will not be reclassified subsequently to profit or loss	<u>(22,746)</u>	<u>(1)</u>	<u>(7,182)</u>	<u>(1)</u>
8360 Items that may be reclassified subsequently to profit or loss:				
8361 Foreign currency translation differences for foreign operations	24,643	1	(3,783)	-
8399 Less: income tax related to components of other comprehensive income that will be reclassified subsequently to profit or loss	<u>4,088</u>	<u>-</u>	<u>(862)</u>	<u>-</u>
Total items that will be reclassified subsequently to profit or loss	<u>20,555</u>	<u>1</u>	<u>(2,921)</u>	<u>-</u>
8300 Other comprehensive income (loss), net of tax	<u>(2,191)</u>	<u>-</u>	<u>(10,103)</u>	<u>(1)</u>
8500 Total comprehensive income (loss)	<u>\$ 321,398</u>	<u>19</u>	<u>275,226</u>	<u>19</u>
Profit attributable to (note 6(g)):				
8610 Owners of parent	\$ 320,777	19	275,969	19
8620 Non-controlling interests	<u>2,812</u>	<u>-</u>	<u>9,360</u>	<u>1</u>
	<u>\$ 323,589</u>	<u>19</u>	<u>285,329</u>	<u>20</u>
Comprehensive income attributable to (note 6(g)):				
8710 Owners of parent	\$ 317,838	19	266,195	18
8720 Non-controlling interests	<u>3,560</u>	<u>-</u>	<u>9,031</u>	<u>1</u>
	<u>\$ 321,398</u>	<u>19</u>	<u>275,226</u>	<u>19</u>
Earnings per share (expressed in New Taiwan dollars) (note 6(t))				
9750 Basic earnings per share	<u>\$ 6.89</u>		<u>5.96</u>	
9850 Diluted earnings per share	<u>\$ 6.78</u>		<u>5.91</u>	

See accompanying notes to consolidated financial statements.

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

AUDEN TECHNO CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(All amounts expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of parent						Total other equity interest						
	Ordinary shares	Capital surplus	Retained earnings			Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets at fair value through other comprehensive income			Total equity attributable to owners of parent	Non-controlling interests	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings			Others	Total				
Balance at January 1, 2021	\$ 466,957	367,809	36,452	28,767	230,846	296,065	(40,522)	40,485	(15,511)	(15,548)	1,115,283	42,507	1,157,790
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	10,782	-	(10,782)	-	-	-	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(74,713)	(74,713)	-	-	-	-	(74,713)	-	(74,713)
Net income for the year	-	-	-	-	275,969	275,969	-	-	-	-	275,969	9,360	285,329
Other comprehensive income (loss) for the year	-	-	-	-	1,051	1,051	(2,592)	(8,233)	-	(10,825)	(9,774)	(329)	(10,103)
Total comprehensive income (loss) for the year	-	-	-	-	277,020	277,020	(2,592)	(8,233)	-	(10,825)	266,195	9,031	275,226
Restricted stock to employee adjustments	260	16,842	-	-	-	-	-	-	(17,102)	(17,102)	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	17,544	17,544	17,544	-	17,544
Balance at December 31, 2021	467,217	384,651	47,234	28,767	422,371	498,372	(43,114)	32,252	(15,069)	(25,931)	1,324,309	51,538	1,375,847
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	27,702	-	(27,702)	-	-	-	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(140,165)	(140,165)	-	-	-	-	(140,165)	-	(140,165)
Share option—equity components recognized for convertible bonds issued (Preference share)	-	93,058	-	-	-	-	-	-	-	-	93,058	-	93,058
Net income for the year	-	-	-	-	320,777	320,777	-	-	-	-	320,777	2,812	323,589
Other comprehensive income (loss) for the year	-	-	-	-	284	284	19,807	(23,030)	-	(3,223)	(2,939)	748	(2,191)
Total comprehensive income (loss) for the year	-	-	-	-	321,061	321,061	19,807	(23,030)	-	(3,223)	317,838	3,560	321,398
Proceeds from disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(55,098)	(55,098)
Restricted stock to employee adjustments	(86)	(1,402)	-	-	-	-	-	-	1,488	1,488	-	-	-
Share-based payment	-	-	-	-	-	-	-	-	11,722	11,722	11,722	-	11,722
Balance at December 31, 2022	\$ <u>467,131</u>	<u>476,307</u>	<u>74,936</u>	<u>28,767</u>	<u>575,565</u>	<u>679,268</u>	<u>(23,307)</u>	<u>9,222</u>	<u>(1,859)</u>	<u>(15,944)</u>	<u>1,606,762</u>	<u>-</u>	<u>1,606,762</u>

See accompanying notes to consolidated financial statements.

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

AUDEN TECHNO CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(All amounts expressed in thousands of New Taiwan dollars)

	2022	2021
Cash flows from (used in) operating activities:		
Income before tax	\$ 401,997	315,663
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	74,021	78,862
Amortization expense	4,768	4,475
Expected credit losses	1,793	(1,953)
Net loss on financial assets or liabilities at fair value through profit or loss	1,560	-
Interest expense	10,103	2,772
Interest income	(3,707)	(3,000)
Dividend income	(1,904)	(1,554)
Share-based payments	11,722	17,544
Gain (loss) on disposal of property, plant and equipment	39	(3,032)
Unrealized gains on foreign exchange	(248)	(640)
Gain on disposal of subsidiaries	(194,179)	(98,499)
Total adjustments to reconcile profit and loss	<u>(96,032)</u>	<u>(5,025)</u>
Changes in operating assets and liabilities relating:		
Net changes in operating assets:		
Notes receivable	17,886	1,869
Accounts receivable	(95,393)	(67,313)
Other receivables	13,848	(27,468)
Inventories	(9,709)	(132,842)
Prepayments	7,184	(21,267)
Other current assets	(1,906)	(13,315)
Total net changes in operating assets	<u>(68,090)</u>	<u>(260,336)</u>
Net changes in operating liabilities:		
Notes payable	(7,081)	5,183
Accounts payable	(63,093)	106,995
Other payables	80,366	93,117
Other current liabilities	114,396	(32,479)
Net defined benefit liability	(61)	(972)
Total net changes in operating liabilities	<u>124,527</u>	<u>171,844</u>
Total net changes in operating assets and liabilities	<u>56,437</u>	<u>(88,492)</u>
Total adjustments	<u>(39,595)</u>	<u>(93,517)</u>
Cash inflow generated from operations	362,402	222,146
Interest received	3,707	3,121
Dividends received	1,904	1,554
Interest paid	(6,231)	(2,763)
Income taxes paid	(24,044)	(32,926)
Net cash flows from operating activities	<u>337,738</u>	<u>191,132</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(35,862)	(22,500)
Disposal of subsidiaries (net of cash decreased)	294,462	91,944
Acquisition of property, plant and equipment	(95,630)	(395,442)
Proceeds from disposal of property, plant and equipment	51	24,631
Acquisition of intangible assets	(4,140)	(20,530)
Decrease in other financial assets	(70,988)	1,548
Increase in other non-current assets	(3,773)	(1,043)
Increase in prepayment for equipment	(7,308)	(4,763)
Net cash flows used in investing activities	<u>76,812</u>	<u>(326,155)</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	-	40,000
Proceeds from issuing bonds	479,105	-
Proceeds from long-term borrowings	-	190,000
Payment of lease liabilities	(14,174)	(18,723)
Cash dividends paid	(140,165)	(74,713)
Net cash flows from financing activities	<u>324,766</u>	<u>136,564</u>
Effect of exchange rate changes on cash and cash equivalents	<u>4,131</u>	<u>(2,559)</u>
Net increase (decrease) in cash and cash equivalents	743,447	(1,018)
Cash and cash equivalents at beginning of period	667,762	668,780
Cash and cash equivalents at end of period	<u>\$ 1,411,209</u>	<u>667,762</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
AUDEN TECHNO CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(All amounts expressed in thousands of New Taiwan dollars, unless otherwise stated)

(1) Company history

Auden Techno Corp. (hereinafter referred to as the "Company") is established on February 1990 in accordance to ROC Company Act. The shares of the Company were listed and sold on the Taiwan Stock Exchange on December 11, 2020. The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are the design and manufacture of wired and wireless antennas, the performance verification and testing of communications products and the trading agent of precision instrument.

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

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

(3) Application of new and revised standards, amendments and interpretations

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

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

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

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

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

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

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AUDEN TECHNO CORP. AND SUBSIDIARIES
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- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

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

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 "Insurance Contracts" and amendments to IFRS 17 "Insurance Contracts"
- Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"
- Amendments to IAS 1 "Non-current Liabilities with Covenants"
- IFRS16 "Requirements for Sale and Leaseback Transactions"

(4) Summary of significant accounting policies

The significant accounting policies applied in the preparation of the consolidated financial statements are set out below. Except for those specially indicated, the significant accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

- (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to as "IFRS endorsed by the FSC").

- (b) Basis of preparation

- (i) Basis of measurement

The accompanying consolidated financial statements have been prepared on a historical cost basis, except as otherwise specified in the notes to accounting policies.

- (ii) Functional and presentation currency

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

- (c) Basis of consolidation

- (i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Group and subsidiaries. Subsidiaries are entities controlled by the Group.

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AUDEN TECHNO CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The consolidated financial statements comprise the Group and its subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance.

Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

Changes in The Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(ii) List of subsidiaries in the consolidated financial statements

List of the subsidiaries included in the consolidated financial statements:

Name investor	Name of Subsidiary	Principal activity	Percentage of Ownership		Note
			December 31, 2022	December 31, 2021	
The Company	LUCKY RITE INTERNATIONAL CO., LTD. (LUCKY)	Investment Holding (investee)	100.00 %	100.00 %	
The Company	AUDEN TECHNO (BVI) CORPORATION (AUDEN BVI)	Investment Holding (investee)	100.00 %	100.00 %	
The Company	A Test Lab Techno Corp. (ATL)	Efficiency verification and tests of communication products	- %	- %	Note 4
The Company	Auray Technology Corp.	Tests of communication products, information security and relevant consultation services	100.00 %	100.00 %	Note 1
The Company	Auden Intelligence Carbon Solution Co. Ltd.	Carbon reduction consultation , Assistance and assistance business	100.00 %	- %	Note 2
LUCKY	Auden Techno Corp. (Shanghai)	Sales of instruments	100.00 %	100.00 %	
LUCKY	TA Technology(Shanghai) Co.,Ltd	Tests of communication products, information security and relevant consultation services	- %	20.00 %	Note 3
AUDEN BVI	Auden Communications & Multimedia Techno (Kunshan) Co., Ltd	Manufacture and sale of antennas and other optical instruments	100.00 %	100.00 %	
AUDEN BVI	TA Technology(Shanghai) Co.,Ltd	Tests of communication products, information security and relevant consultation services	- %	54.52 %	Note 3
ATL	A test lab international corp. (ATL Seychelles)	Investment Holding (investee)	- %	- %	Note 4
ATL Seychelles	CC&C TECHNOLOGIES, INC.(CC&C Xi'an)	Efficiency verification and tests of communication products	- %	- %	Note 4
ATL Seychelles	CC&C TECHNOLOGIES, INC.(CC&C Shenzhen)	Efficiency verification and tests of communication products	- %	- %	Note 4

Note 1 : In order to continue to enhance the competitive edge of 5G products and technologies, the Company established a new share capital of \$60,000 thousand, representing a shareholding of 100.00%, in March 2021.

Note 2 : In August 2022, the Company established an additional share capital of \$10,000 thousand, representing a shareholding of 100.00%, of Auden Intelligence Carbon Solution Co. Ltd.

Note 3 : The Group disposed of 54.52% and 20% of equity interests in TA Technology(Shanghai) Co.,Ltd held by AUDEN BVI and Lucky, respectively on December 16, 2022, representing a total of 74.52%. Please refer to note 6(f) for details.

Note 4 : The Group disposed of the 100% of equity interest in A Test Lab Techno Corp. including its indirect investees, in ATL Seychelles, CC&C Xi'an and CC&C Xi'an and CC&C Shenzhen, 2021. Please refer to note 6(f) for details.

(iii) List of subsidiaries excluded in the consolidated financial statements: None

(Continued)

AUDEN TECHNO CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies 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. The resulting exchange differences are included in profit or loss for the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at 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 an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(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, joint control, or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. For a partial disposal of the Group's ownership interest in an associate or joint venture, the proportionate share of the accumulated exchange differences in equity is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such a monetary item that are considered to form part of the net investment in the foreign operation and are recognized in other comprehensive income and presented in the translation reserve in equity.

(e) Assets and liabilities classified as current and non-current

An asset is classified as current when one of the following criteria is met; all other assets are classified as non-current assets.

- (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;

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AUDEN TECHNO CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (iii) It is expected to be realized within twelve months after the reporting date; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) 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 its 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 Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances 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 are classified as cash and cash equivalents only when they meet the aforementioned definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(g) Financial instruments

Accounts receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

(i) Financial assets

All regular way purchases or sales of financial assets classified as the same categories are recognized and derecognized on a trade date basis.

The Group classifies financial assets into the following categories: financial assets at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

The Group 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.

(Continued)

AUDEN TECHNO CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

A financial assets measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost, which is the initial recognition amount deduct the cumulative amortization using the effective interest method and adjusted for any loss allowance. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Financial assets at fair value through other comprehensive income (FVOCI)

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

Such financial assets are initially recognized at fair value, plus any directly attributable transaction costs. Subsequently, these assets are 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 derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) Impairment of financial assets

The Group assessed against expected credit loss of impairment loss on financial assets measured at amortized cost

Loss allowance for notes and accounts receivable and contract assets is always measured at an amount of lifetime ECL. Other financial assets measured at amortized cost are considered reasonable and supportable information (available without excessive costs or inputs). This includes both quantitative and qualitative information, as well as an analysis, based on the Group's historical experience, credit assessment, and forward-looking information. Loss allowance for other financial assets measured at amortized cost is measured by using the 12-month ECL, in which the credit risk did not increase significantly since the initial recognition. If, on the other hand, there has been a significant increase in credit risk since the initial recognition, a loss allowance is recognized at an amount equal to the lifetime ECL.

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AUDEN TECHNO CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instruments

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

3) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital at the option of the holder, where the number of shares to be issued is fixed.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

4) 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.

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AUDEN TECHNO CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

5) Derecognition of financial liabilities

the Group derecognizes a financial liability when its contractual obligation has been discharged or canceled or expire.

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

6) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated based on the weighted average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to the location and condition. Fixed manufacturing overhead is allocated to finished products and work in process based on normal capacity.

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

(i) Non-current assets held for sale

Noncurrent assets or disposal groups comprising assets and liabilities that are highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, generally, the assets are measured at the lower of their carrying amount and fair value less costs to sell. When right-of-use asset, intangible assets and property, plant and equipment are classified as held for sale, they are no longer amortized or depreciated.

(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

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AUDEN TECHNO CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Rental income from investment property is recognized as other revenue on a straight line basis over the term of the lease. Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its book value at the date of reclassification becomes its cost for subsequent accounting.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

When property, plant and equipment comprise different components, and the total cost of the item is significant and a different depreciation rate or depreciation method is more appropriate, the item is treated as a separate item (major component) of property, plant and equipment.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other gains and losses.

(ii) Subsequent cost

Subsequent cost is capitalized only when it is probable that the future economic benefits associated with the cost will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a straight-line basis over its useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

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

1) Buildings	25~50 years
2) Machinery and equipment	2~10 years
3) Other equipment	2~26 years

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

(Continued)

AUDEN TECHNO CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment purpose.

(l) Lease

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease.

(ii) As a lessee

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

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

Lease liabilities are initially measured at the present value of the lease payments outstanding at the beginning of the lease using the discounted incremental borrowing rate. Interest is subsequently charged using the effective interest method and are measured when there are changes in the lease payments and the lease period, and the carrying amount of the right-to-use assets is adjusted accordingly. When the carrying amount of the right-of-use asset is reduced to zero, the remaining remeasured amount is recognized in profit or loss.

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

(iii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. Lease income from operating lease is recognized in income on a straight-line basis over the lease term.

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AUDEN TECHNO CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Intangible assets

(i) Software and patents

Software and patents that are acquired by the Group are measured at cost less accumulated amortization and any accumulated impairment losses. Amortization is recognized in profit or loss on a straight line basis of three to six years over the Group's intangible assets, from the date that they are available for use.

(ii) Goodwill

Goodwill arising from the Group is measured at cost by the amount of goodwill recognized at the acquisition date and is subsequently measured at cost less accumulated impairment. The impairment test should allocate to cash generating unit or groups of cash generating unit. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. The impairment loss recognized on goodwill is not reversed in a subsequent period.

(n) Impairment – non-financial assets

With regard to non-financial assets (other than inventories, deferred tax assets and employee benefits), the Group assesses at the end of each reporting period whether there is any indication that an impairment loss has occurred and estimates the recoverable amount of assets with an indication of impairment. If it is not possible to estimate the recoverable amount of an individual asset, then the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs for the purpose of assessing impairment.

Goodwill is tested for impairment on an annual basis, regardless of whether there is any indication of impairment.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset or cash-generating unit shall be reduced to its recoverable amount and an impairment loss shall be recognized. An impairment loss shall be recognized immediately in profit or loss.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for non-financial assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset. Impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the recoverable amount, increasing the individual asset's or cash-generating unit's carrying amount to its recoverable amount. The reversal of an impairment loss of an individual asset or cash-generating unit cannot exceed the carrying amount of the individual asset or cash-generating unit, less any depreciation or amortization, had no impairment loss been recognized in prior years.

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AUDEN TECHNO CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(o) Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The accounting policies for the Group's main types of revenue are explained below.

(i) Sale of goods

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

(ii) Rendering of services

The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date (market yields of high-quality corporate bonds or government bonds) on bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of any unrecognized past service costs and 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. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

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AUDEN TECHNO CORP. AND SUBSIDIARIES
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When the benefits of a plan are improved, the portion of the increased benefit relating to past service of employees is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses; (2) the return on plan assets excluding the amounts included in net interest on the net defined benefit liability (assets); and (3) any change in the effect of the asset ceiling, excluding the amounts included in net interest on the net defined benefit liability (assets); The Group recognizes the remeasurements of the defined benefit liability (asset) in other comprehensive.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost that had not previously been recognized.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(q) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the resting period of the awards. The compensation cost is adjusted to reflect the number of awards given to employees for which the performance and non-market conditions are expected to be met, such that the amount ultimately recognized shall be based on the number of equity instruments that eventually have vested.

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.

Grant date of a share-based payment award is the date which the Group and employees reach a consensus in the subscription price and number of 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 shall be 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.

(Continued)

AUDEN TECHNO CORP. AND SUBSIDIARIES
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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 shall not be recognized for the exceptions below:

- (i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on the net income or taxable gains (losses) during the transaction.
- (ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- (iii) Initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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

- (i) The Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) levied by 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.

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.

- (s) Earnings per share

The basic and diluted EPS attributable to shareholders of the Company are disclosed in the consolidated financial statements. Basic EPS is calculated by dividing net income attributable to stockholders of the Company by the weighted-average number of common shares outstanding during the year. 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 potential dilutive ordinary shares.

(Continued)

AUDEN TECHNO CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(t) Segment information

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

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

In preparing these consolidated financial statements, the management has made 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.

Estimates and underlying assumptions are reviewed by the management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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

There is no risk that the uncertainties in the estimates and assumptions in the consolidated financial statements will cause significant adjustments in the following year.

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash	\$ 421	437
Checking and demand deposits	1,024,122	657,295
Time deposits	<u>386,666</u>	<u>10,030</u>
	<u>\$ 1,411,209</u>	<u>667,762</u>

The above cash and cash equivalents were not pledged as collateral. Pledged time deposits and restricted accounts are accounted for under other financial assets. Please refer to notes 6(k) and 8 for details.

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AUDEN TECHNO CORP. AND SUBSIDIARIES
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(b) Financial assets at fair value through other comprehensive income

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Equity instruments at fair value through other comprehensive income:		
Domestic unlisted common shares - Ceradex Corporation	\$ 12,417	17,538
Domestic unlisted common shares - TMY Technology, Inc.	7,176	22,056
Domestic unlisted common shares - WHALETEQ CO., LTD	28,703	31,732
USA unlisted shares - Dotspace, Inc.	<u>35,862</u>	<u>-</u>
Total	<u>\$ 84,158</u>	<u>71,326</u>

The Group holds these investments in equity instruments as long-term strategic investments and are not held for trading purposes, therefore they have been designated as measured at fair value through other comprehensive income.

The Group entered into an investment agreement with Dotspace, Inc. on February 16, 2022 for the purpose of expanding its business, and invested shares payments in the second phase. In the first phase, a share payment of \$13,409 thousand (USD480 thousand) was paid on March 3, 2022. In the second phase, the shares payment of \$22,453 thousand (USD720 thousand) were paid on October 6, 2022, which the total amount is \$35,862 thousand (USD1,200 thousand), 12,000 thousand shares are subscribed by capital increase.

No strategic investments were disposed for the years ended December 31, 2022 and 2021, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

During the years ended December 31, 2022 and 2021, the dividends of \$1,904 thousand and \$1,554 thousand, respectively, related to equity instruments at fair value through other comprehensive income held on the year ended, were recognized under other income.

Please refer to note 6(x) for market risk.

(c) Notes receivables and accounts receivables

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Notes receivable	\$ 23,863	41,082
Accounts receivable	328,597	299,522
Less: loss allowance—accounts receivables	<u>(1,786)</u>	<u>(2,316)</u>
	<u>\$ 350,674</u>	<u>338,288</u>

The Group does not regard as any collateral or discount for notes and trade receivable.

(Continued)

AUDEN TECHNO CORP. AND SUBSIDIARIES
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The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information.

Notes receivable from the Group have no credit loss based on historical experience, and also considering that the notes receivable as of the reporting date have not been overdue and there is no other indication that the credit quality of the notes receivable has changed from that of the original credit date, the Group assesses that there will be no credit loss for the notes receivable. Therefore, it is not included in the expected credit loss analysis table.

The Group's test equipment segment applies the expected credit losses to analysis of notes and accounts receivable as of December 31, 2022 and 2021 were determined as follows:

	December 31, 2022		
	Gross carrying amount	Weighted- average expected credit loss rate (%)	Loss allowance for lifetime expected credit losses
Not past due	\$ 12,712	-	-
Past due 1~30 days	6,084	-	-
Past due 31~90 days	7,503	-	-
Past due 91~180 days	<u>3,118</u>	0~1.01	<u>31</u>
	<u><u>\$ 29,417</u></u>		<u><u>31</u></u>
	December 31, 2021		
	Gross carrying amount	Weighted- average expected credit loss rate (%)	Loss allowance for lifetime expected credit losses
Not past due	\$ 55,207	-	-
Past due 1~30 days	918	-	-
Past due 31~90 days	2,418	-	-
Past due 91~180 days	<u>226</u>	0-1.10	<u>2</u>
	<u><u>\$ 58,769</u></u>		<u><u>2</u></u>

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AUDEN TECHNO CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group's RFID antenna segment applies the expected credit losses to analysis of notes and accounts receivable as of December 31, 2022 and 2021 were determined as follows:

	December 31, 2022		
	Gross carrying amount	Weighted-average expected credit loss rate (%)	Loss allowance for lifetime expected credit losses
Not past due	\$ 289,142	0-0.63	809
Past due 1~30 days	6,778	0-11.85	394
Past due 31~90 days	1,227	0-19.35	174
Past due 91~180 days	323	0-29.67	96
Past due over 365 days	282	100.00	282
	\$ 297,752		1,755
	December 31, 2021		
	Gross carrying amount	Weighted-average expected credit loss rate (%)	Loss allowance for lifetime expected credit losses
Not past due	\$ 191,049	0-0.69	459
Past due 1~30 days	1,646	0-12.97	152
Past due 31~90 days	1,670	0-21.18	144
Past due 91~180 days	-	0-32.47	-
Past due 181~365 days	-	0-64.94	-
Past due over 365 days	354	100.00	354
	\$ 194,719		1,109

The Group's test and certification segment applies the expected credit losses to analysis of notes and accounts receivable as of December 31, 2022 and 2021 were determined as follows:

	December 31, 2022		
	Gross carrying amount	Weighted-average expected credit loss rate (%)	Loss allowance for lifetime expected credit losses
Not past due	\$ 1,428	-	-

(Continued)

AUDEN TECHNO CORP. AND SUBSIDIARIES
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	December 31, 2021		
	Gross carrying amount	Weighted- average expected credit loss rate (%)	Loss allowance for lifetime expected credit losses
Not past due	\$ 42,640	0.81	343
Past due 1~30 days	1,494	5.90	88
Past due 31~90 days	569	16.56	94
Past due 91~180 days	756	32.92	249
Past due 181~365 days	324	55.43	180
Past due over 365 days	251	100.00	251
	\$ 46,034		1,205

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

	2022	2021
Beginning balance	\$ 2,316	5,382
Proceeds from disposal of subsidiaries	(2,265)	(1,071)
Impairment loss (reversal gain)	1,793	(1,953)
Amounts written off	(87)	(5)
Foreign exchange gains/(losses)	29	(37)
Ending balance	\$ 1,786	2,316

(d) Other receivables

	December 31, 2022	December 31, 2021
Other receivables	\$ 38,487	50,418
Other receivables – sales of equity interests	71,965	35,106
Less: Loss allowance	-	-
	\$ 110,452	85,524

As of December 31, 2022 and 2021, there was no other receivables that was past due for the Group. Please refer to note 6(x) for other credit risk.

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AUDEN TECHNO CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(e) Inventories

	December 31, 2022	December 31, 2021
Merchandise inventory	\$ 252,171	207,454
Finished good	44,137	74,886
Semi-finished products and work in progress	20,213	17,709
Raw materials	9,465	15,251
	\$ 325,986	315,300

The details of the inventory costs recognized as expenses were as follows:

	2022	2021
Write-down of inventories (Reversal of write-downs)	\$ 14,284	255
Loss on disposal of inventory	1,122	3,103
Total	\$ 15,406	3,358

As of December 31, 2022 and 2021, the Group did not pledge its inventories as collateral.

(f) Loss of control of subsidiaries

- (i) The Group resolved on August 31, 2022 by the Board of Directors to engage in a disposal of 54.52% and 20.00% equity interests in TA Technology(Shanghai) Co.,Ltd held by subsidiaries, AUDEN BVI and Lucky, respectively. Total of 74.52% equity interest was disposed. An share purchase agreement was entered into on the same day with an unrelated party, EUROFINS PRODUCT TESTING LUX HOLDING SARL. The above transactions are reported in the non-current assets held for sale (disposal group) and liabilities directly related to the non-current assets held for sale (disposal group) on September 30, 2022. For relevant information, see note 6(f) to the consolidated financial statements for the third quarter of 2022. The Group disposed all of its shares in the entity mentioned above with a consideration of \$377,460 thousand (RMB 85,652 thousand net of direct expense) on December 16, 2022 and recognized net gain on disposal of \$197,667 thousand under gains on disposals of investments of other gains and losses. The gain on disposal included accumulated loss on foreign currency exchange amounting to \$17,786 thousand and goodwill of \$865 thousand. Amount received as of December 31, 2022 was \$305,496 thousand (RMB69,322 thousand),The uncollected disposal price receivable of \$71,965 thousand (RMB16,330 thousand) is accounted for under other receivables. The income tax expense arising from the disposal of the equity interest amounting to \$30,933 thousand, which is not yet paid as of December 31, 2022 and accounted for under current income tax liabilities. The payment has been made and tax payment certificate is obtained in February 2023.

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AUDEN TECHNO CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The carrying amount of assets and liabilities of TA Technology(Shanghai) Co.,Ltd on December 16, 2022 were as follow:

Cash and cash equivalents	\$	42,652
Notes receivables, accounts receivables and other receivables		63,432
Property, plant and equipment		129,574
Right-of-use assets		50,924
Other		<u>11,788</u>
		<u>298,370</u>
Accounts payable and other payables		19,331
Lease liabilities		55,366
Other		<u>7,433</u>
		<u>82,130</u>
Net assets disposed	\$	<u>216,240</u>

- (ii) Pursuant to the resolution of board of directors, the Company disposed of the 100% of equity interest in ATL including its indirect investees, in ATL, CC&C Xi'an and CC&C Shenzhen on April 29, 2021. An agreement for the sale and purchase of shares was entered into on the same day with an unrelated party,EUROFINS PRODUCT TESTING LUX HOLDING SARL. The above transactions were reported on the non-current assets held for sale (disposal group) and the liabilities directly related to the non-current assets held for sale (disposal group) as of June 30, 2021. For information, please refer to note 6(f) to the consolidated financial statements for the second quarter of 2021. The Group disposed all of its shares in the entity mentioned above with a consideration of \$174,506 thousand on September 1, 2021 (net of transaction tax) and recognized net gain on disposal of \$98,499 thousand under gains on disposals of investments of other gains and losses. The gain on disposal include accumulated loss on foreign currency exchange amounting to \$96 thousand, \$139,400 thousand was received as of December 31, 2021, and uncollected disposal price receivable amounting to \$35,106 thousand, which are accounted for in other receivables. In 2022, the adjustment of equity transaction amounting to \$3,488 thousand was recorded under loss on disposal of investments, the uncollected disposal price receivable was reduced to \$31,618 thousand accordingly. As of December 31, 2022, the sale proceeds of the equity interest have been fully collected.

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AUDEN TECHNO CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The carrying amount of assets and liabilities of ATL and its subsidiaries on September 1, 2021 were as follow:

Cash and cash equivalents	\$ 47,456
Notes receivables, accounts receivables and other receivables	38,055
Property, plant and equipment	75,497
Right-of-use assets	13,210
Other	<u>25,385</u>
	<u>199,603</u>
Bank borrowings	40,000
Accounts payable and other payables	66,432
Lease liabilities	13,722
Other	<u>3,538</u>
	<u>123,692</u>
Net assets disposed	<u><u>\$ 75,911</u></u>

(g) Subsidiaries that have material non controlling interest

The material non-controlling interests of subsidiaries were as follows:

<u>Name of Subsidiary</u>	<u>Major Operation place Company registered country</u>	<u>Percentage of non- controlling interests</u>	
		<u>December 31, 2022</u>	<u>December 31, 2021</u>
TA Technology(Shanghai) Co.,Ltd	China	- %	25.48 %

The following information on the aforementioned subsidiaries have been prepared in accordance with IFRS endorsed by the FSC. Intra group transactions were not eliminated in this information.

The summary of financial information regarding TA Technology(Shanghai) Co.,Ltd:

	<u>December 31, 2021</u>
Current assets	\$ 96,471
Non-current assets	190,866
Current liabilities	(26,474)
Non-current liabilities	<u>(58,595)</u>
Net assets	<u><u>\$ 202,268</u></u>
Non controlling interests	<u><u>\$ 51,538</u></u>

(Continued)

AUDEN TECHNO CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	2021
Operating revenue	\$ 197,381
Profit	36,739
Other comprehensive income (loss):	(1,295)
Total comprehensive income	\$ 35,444
Profits attributable to NCIs for the period	\$ 9,360
Comprehensive income, attributable to non-controlling interests	\$ 9,031
Net cash flows from operating activities	\$ 57,121
Cash from (used in) investing activities	(51,543)
Cash from (used in) financing activities	(7,507)
Effect of exchange rate changes on cash and cash equivalents	(402)
Increase in cash and cash equivalents	\$ (2,331)

The Group sold all of its equity interest in TA Technology(Shanghai), a subsidiary of the Group on December 16, 2022, and there is no need to disclose the consolidated financial information of the Group as set out in the year ended December 31,2022.

(h) Property, plant and equipment

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

	Land	Buildings	Machinery and equipment	Other equipment	Unfinished construction and equipment under acceptance	Total
Cost:						
Balance at January 1, 2022	\$ 335,441	101,134	438,586	167,841	-	1,043,002
Additions	-	-	88,312	14,723	12,842	115,877
Reclassification	-	-	6,360	(6,360)	7,878	7,878
Disposal of subsidiaries	-	-	(360,102)	(7,816)	-	(367,918)
Disposals	-	-	(6,509)	(1,000)	-	(7,509)
Effects of changes in foreign exchange rates	-	793	5,131	1,806	-	7,730
Balance at December 31, 2022	\$ 335,441	101,927	171,778	169,194	20,720	799,060
Balance at January 1, 2021	\$ 91,444	101,360	719,255	211,908	454	1,124,421
Additions	243,997	200	116,802	20,624	4,815	386,438
Disposal of subsidiaries	-	-	(349,990)	(59,457)	(5,269)	(414,716)
Disposals	-	-	(44,497)	(4,234)	-	(48,731)
Effects of changes in foreign exchange rates	-	(426)	(2,984)	(1,000)	-	(4,410)
Balance at December 31, 2021	\$ 335,441	101,134	438,586	167,841	-	1,043,002

(Continued)

AUDEN TECHNO CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Unfinished construction and equipment under acceptance</u>	<u>Total</u>
Accumulated depreciation and impairment loss:						
Balance at January 1, 2022	\$ 29,935	71,709	255,643	126,818	-	484,105
Depreciation	-	3,731	44,293	9,942	-	57,966
Reclassification	-	-	5,725	(5,725)	-	-
Disposal of subsidiaries	-	-	(231,591)	(6,753)	-	(238,344)
Disposals	-	-	(6,508)	(911)	-	(7,419)
Effects of changes in foreign exchange rates	-	669	2,620	1,409	-	4,698
Balance at December 31, 2022	<u>\$ 29,935</u>	<u>76,109</u>	<u>70,182</u>	<u>124,780</u>	<u>-</u>	<u>301,006</u>
Balance at January 1, 2021	\$ 29,935	68,370	528,792	168,040	-	795,137
Depreciation	-	3,684	45,585	9,765	-	59,034
Disposal of subsidiaries	-	-	(292,632)	(46,587)	-	(339,219)
Disposals	-	-	(23,542)	(3,590)	-	(27,132)
Effects of changes in foreign exchange rates	-	(345)	(2,560)	(810)	-	(3,715)
Balance at December 31, 2021	<u>\$ 29,935</u>	<u>71,709</u>	<u>255,643</u>	<u>126,818</u>	<u>-</u>	<u>484,105</u>
Carrying amount:						
Balance at December 31, 2022	<u>\$ 305,506</u>	<u>25,818</u>	<u>101,596</u>	<u>44,414</u>	<u>20,720</u>	<u>498,054</u>
Balance at December 31, 2021	<u>\$ 305,506</u>	<u>29,425</u>	<u>182,943</u>	<u>41,023</u>	<u>-</u>	<u>558,897</u>

Pursuant to a resolution of the Board of Directors on February 23, 2021, the Company intended to acquire the land in the Bade District from the non-related parties in accordance with its operational requirements and long-term development strategy, and signed a contract on February 26, 2021 for a total land price of approximately \$243,654 thousand. The amount of \$243,654 thousand of land payment and related transaction fees of \$343 thousand, totaling to \$243,997 thousand, were paid before the end of June 2021 and the land title transfer procedure was completed.

Please refer to note 8 for the details of items pledged to secure long term bank borrowings and financing facility as of December 31, 2022 and 2021.

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AUDEN TECHNO CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Right-of-use assets

The Group leases including land, buildings, and transportation equipment and other equipment recognized as right of use assets. Information about the movements in their recognition or reversal of cost, depreciation, and impairment are presented below:

	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Other equipment</u>	<u>Total</u>
Cost:					
Balance at January 1, 2022	\$ 2,587	100,152	-	108	102,847
Additions	-	17,080	-	488	17,568
Disposal of subsidiaries	-	(85,254)	-	-	(85,254)
Decrease	-	-	-	(108)	(108)
Effects of changes in foreign exchange rates	38	1,402	-	-	1,440
Balance at December 31, 2022	<u>\$ 2,625</u>	<u>33,380</u>	<u>-</u>	<u>488</u>	<u>36,493</u>
Balance at January 1, 2021	\$ 2,608	133,527	3,366	108	139,609
Additions	-	9,673	-	-	9,673
Disposal of subsidiaries	-	(39,768)	-	-	(39,768)
Decrease	-	(2,263)	(3,366)	-	(5,629)
Effects of changes in foreign exchange rates	(21)	(1,017)	-	-	(1,038)
Balance at December 31, 2021	<u>\$ 2,587</u>	<u>100,152</u>	<u>-</u>	<u>108</u>	<u>102,847</u>
Accumulated depreciation of right-of-use asset:					
Balance at January 1, 2022	\$ 233	34,306	-	83	34,622
Depreciation	79	15,626	-	211	15,916
Disposal of subsidiaries	-	(34,330)	-	-	(34,330)
Decrease	-	-	-	(108)	(108)
Effects of changes in foreign exchange rates	3	450	-	-	453
Balance at December 31, 2022	<u>\$ 315</u>	<u>16,052</u>	<u>-</u>	<u>186</u>	<u>16,553</u>
Balance at January 1, 2021	\$ 157	44,231	2,992	55	47,435
Depreciation	78	19,208	374	28	19,688
Disposal of subsidiaries	-	(26,558)	-	-	(26,558)
Decrease	-	(2,263)	(3,366)	-	(5,629)
Effects of changes in foreign exchange rates	(2)	(312)	-	-	(314)
Balance at December 31, 2021	<u>\$ 233</u>	<u>34,306</u>	<u>-</u>	<u>83</u>	<u>34,622</u>
Carrying amount:					
Balance at December 31, 2022	<u>\$ 2,310</u>	<u>17,328</u>	<u>-</u>	<u>302</u>	<u>19,940</u>
Balance at December 31, 2021	<u>\$ 2,354</u>	<u>65,846</u>	<u>-</u>	<u>25</u>	<u>68,225</u>

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AUDEN TECHNO CORP. AND SUBSIDIARIES
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(j) Investment property

	<u>Land and improvements</u>	<u>Buildings</u>	<u>Total</u>
Cost:			
Balance at December 31, 2022 (as of balance January 1, 2022)	\$ <u>3,350</u>	<u>5,025</u>	<u>8,375</u>
Balance at December 31, 2021 (as of balance January 1, 2021)	\$ <u>3,350</u>	<u>5,025</u>	<u>8,375</u>
Accumulated depreciation and impairment loss:			
Balance at January 1, 2022	\$ -	2,885	2,885
Depreciation	<u>-</u>	<u>139</u>	<u>139</u>
Balance at December 31, 2022	\$ <u>-</u>	<u>3,024</u>	<u>3,024</u>
Balance at January 1, 2021	\$ -	2,745	2,745
Depreciation	<u>-</u>	<u>140</u>	<u>140</u>
Balance at December 31, 2021	\$ <u>-</u>	<u>2,885</u>	<u>2,885</u>
Carrying amount:			
Balance at December 31, 2022	\$ <u>3,350</u>	<u>2,001</u>	<u>5,351</u>
Balance at December 31, 2021	\$ <u>3,350</u>	<u>2,140</u>	<u>5,490</u>
Fair value:			
Balance at December 31, 2022			\$ <u>11,404</u>
Balance at December 31, 2021			\$ <u>11,174</u>

The fair value of the investment property held by The Group is presented on the basis of the assessment by an independent external evaluation expert, who adopted the income approach- direct capitalization and comparative approach for valuation. The input values used in fair value evaluation techniques are of the level 3 of fair value hierarchy and there was no transfer to or from level 3 fair value during the period. The capitalization of earnings (including depreciation discount rate) used in the years ended December 31, 2022 and 2021 were 1.97% to 2.03% and 1.06% to 1.89% respectively.

Investment properties comprise a number of commercial properties that are leased to third parties. Each leasing contract includes an original noncancelable lease term, and the lease term of the renewal is available for discussion with the lessee.

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Notes to the Consolidated Financial Statements

(k) Other current financial assets

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Current		
Time deposits and restricted account	\$ 45,469	44,374
Cash in banks for foreign exchange (FX)	<u>3,450</u>	<u>11,500</u>
Subtotal	<u>48,919</u>	<u>55,874</u>
Non-current		
Time deposits	1,100	1,126
Cash in banks for foreign exchange (FX)	24,677	24,798
Convertible bond secured deposits	80,000	-
Refundable deposits	<u>2,248</u>	<u>4,059</u>
Subtotal	<u>108,025</u>	<u>29,983</u>
Total	<u>\$ 156,944</u>	<u>85,857</u>

The Group remitted foreign funds to special accounts for foreign exchange deposits in September 2020, in accordance with the Management, Utilization, and Taxation of Repatriated Offshore Funds Act.

As of December 31, 2022 and 2021, the other financial assets were pledged as collateral, please refer to note 8.

(l) Short-term borrowings

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Secured bank borrowings	\$ -	-
Unused short-term credit lines	<u>\$ 195,504</u>	<u>102,445</u>
Range of interest rates (%)	<u>-</u>	<u>-</u>

For the collateral for bank borrowings, please refer to note 8.

(Continued)

AUDEN TECHNO CORP. AND SUBSIDIARIES
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(m) Long-term borrowings

The details of the Group's long-term borrowings were as follows:

<u>Activity</u>	<u>Loan period and payment term</u>	<u>Range of interest rates(%)</u>	<u>December 31, 2022</u>
Secured borrowings			
– Bank of Taiwan	June 8, 2021 ~June 8, 2041, interest is paid on a monthly basis for the first three years,and the principal is paid monthly from the fourth year. (the total of 204 installments)	1.805	\$ 190,000
Less: current portion			<u>-</u>
Total			<u>\$ 190,000</u>
Unused long-term credit lines			<u>\$ -</u>

<u>Activity</u>	<u>Loan period and payment term</u>	<u>Range of interest rates(%)</u>	<u>December 31, 2021</u>
Secured borrowings			
– Bank of Taiwan	June 8, 2021 ~June 8, 2041, interest is paid on a monthly basis for the first three years,and the principal is paid monthly from the fourth year. (the total of 204 installments)	1.15	\$ 190,000
Less: current portion			<u>-</u>
			<u>\$ 190,000</u>
Unused long-term credit lines			<u>\$ -</u>

For the collateral for bank borrowings, please refer to note 8.

(n) Bonds payable

(i) The Company's secured ordinary corporate bonds were as follows:

	<u>December 31, 2022</u>
Total convertible corporate bonds issued	\$ 400,000
Unamortized discounted corporate bonds payable	<u>(8,441)</u>
Corporate bonds issued balance at year-end	<u>\$ 391,559</u>
Embedded derivative- Redemption option (Non-current financial assets at fair value through profit or loss)	<u>\$ 80</u>
Equity component – conversion options, included in capital surplus– stock options	<u>\$ 93,058</u>

(Continued)

AUDEN TECHNO CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	2022
Interest expense (note)	\$ <u><u>3,872</u></u>

Note: The effective interest rate of the first issued secured convertible bonds was 1.0477%.

(ii) Pursuant to the official certificate No.11003774351 in effect by FSC on December 24, 2021, the Group's first domestic secured convertible bond was issued on January 18, 2022 with a total issue amounting to \$484,010 thousand. All the payment has been collected. The main terms of issuing the above-mentioned convertible corporate bonds were as follows:

- 1) Issuance period: 3 years (January 18, 2022 to January 18, 2025).
- 2) Total issuance amount: \$400,000 thousand
- 3) Issue price: 121% of the nominal value of the share, with a par value of \$100 thousand per share.
- 4) Coupon rate: 0%
- 5) Repayment method: Except for conversion to ordinary shares of the Company by creditors in accordance with the regulations, or recovery in advance by the Company in accordance with the regulations, the bonds are repaid in cash at one time at their face value upon maturity.
- 6) Secured method: Mega International Commercial Bank is authorized as the bank to provide guarantee.
- 7) Conversion period

The bond holders may opt to have its bonds converted into the Company's ordinary shares within the period between three months after the issuance date (April 19, 2022) and the maturity date (January 18, 2025) under the conversion method.

- 8) Conversion price and its adjustment

The conversion price was \$230 per share on the issuance date.

After this convertible bond is issued, except for securities of any kind issued (or private placement) by the Company with conversion rights to ordinary shares or share option and exchanged to ordinary shares or new shares issued for the compensation of employees, In the event of an increase in the number of ordinary shares of the Company issued (or private placement) (including, but not limited to, cash capital increase, retained earnings transferred to capital, capital increase from capital surplus, issuance of new shares due to acquisition of shares of another company or merger with another company, share split and issue of shares for overseas depositary receipt), the Company shall adjust the conversion price according to the formula outlined in conversion policy (calculated up to the New Taiwan dollar 10 cents. Adjust downward not upward and rounded to the nearest cent). Then wrote to the GreTai Securities Market (hereinafter referred to as "the GreTai"), for official announcement set out that adjustments made on the base day of ex-rights for issuing new shares. If the increase in issuing ordinary shares is due to a change in the nominal value of the shares, adjustment shall be made on the base day of transfer new shares; but adjustment is made on share payment date for payment that has actually

(Continued)

AUDEN TECHNO CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

been received. If the issue price of the new shares is changed after the ex-rights base day of issuing new shares by cash capital increase, the revised issue price of the new shares and the current price per share (The base day of revised issue price setting as decided by the Group is the setting base day for revised current price per share) will be adjusted again in accordance with the formula of the conversion policy. If the adjusted conversion price is lower than the adjusted conversion price announced before the original base day of ex-rights, the GreTai Securities Market (hereinafter referred to as "the GreTai") should be informed with letter to announce on the new adjustment.

After the issuance of this convertible bond, in the event that the Company allot cash dividends of ordinary shares, the Company shall reduce the conversion price (calculated up to the NTD 10 cents. Adjust downward not upward and rounded to the nearest cent) by the formula of the conversion policy on ex-dividend base day. Then wrote to the GreTai Securities Market (hereinafter referred to as "the GreTai"),for official announcement on the conversion price after adjustment. The provision of this conversion price adjustment is not applicable for a person who has requested a conversion prior to the base day of the ex-dividend, ex-rights (excluded).

After this convertible bond is issued, except when the Company issue again securities of any kind (or private placement) with conversion rights to ordinary shares or share option with conversion prices or subscription price below current price per share, the Company shall adjust the conversion price according to the formula outlined in conversion policy (calculated up to the New Taiwan dollar 10 cents. Adjust downward not upward and rounded to the nearest cent). Then wrote to the GreTai Securities Market (hereinafter referred to as "the GreTai"),for official announcement to set out that adjustments should be made on date of issuing share options and above mentioned securities or the delivery date for private placement of securities.

9) Redemption:

Within the period between three month after the issuance date (April 19, 2022) and 40 days (December 9,2024) before the last convertible date, if (i) the closing price of common shares on the TWSE for a period of 30 consecutive trading days before redemption has been at least 30% of the conversion price in effect on each such trading day, or in the event that the outstanding balance of the convertible bonds is less than 10% of the total amount originally issued, the Company may redeem all convertible bonds in accordance to conversion policy.

When the Company issued the above convertible bonds, the share options were separated from the liabilities, and the equity and liabilities components were recognized separately as follows:

	Amount
Total amount issued of convertible bonds	\$ 484,010
Fair value of embedded derivatives at the time of issue	1,640
Transaction cost of issuance	(4,905)
Fair value of proceeds from issuing bonds	(387,687)
Equity component – share options, included in capital surplus– stock options	\$ 93,058

(Continued)

AUDEN TECHNO CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As of December 31, 2022, the Group had not redeem any convertible bond.

(iii) Financial assets at fair values through profit or loss- non-current, the details are as follows:

	<u>The first time December 31, 2022</u>
Embedded derivative financial assets (redemption)-balance on date of issue	\$ 1,640
Loss on evaluation	<u>(1,560)</u>
	<u>\$ 80</u>

As a result of issuing corporate debt, the Company has provided a bank deposit of \$80,000 thousand from Mega International Commercial Bank as collateral (accounted for under other financial assets - non-current), please refer to note 8 for details.

(o) Lease liabilities

The carrying amounts of lease liabilities for the Group were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current	\$ <u>6,800</u>	<u>11,479</u>
Non-current	\$ <u>11,558</u>	<u>57,853</u>

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

The amounts recognized in profit or loss were as follows:

	<u>2022</u>	<u>2021</u>
Interest on lease liabilities	\$ <u>1,211</u>	<u>1,477</u>
Expenses relating to short-term leases	\$ <u>467</u>	<u>2,579</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>3,116</u>	<u>271</u>

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

	<u>2022</u>	<u>2021</u>
Net cash outflows from operating activities	\$ 4,794	4,327
Net cash outflow from financing activities	<u>14,174</u>	<u>18,723</u>
Total cash outflow for leases	<u>\$ 18,968</u>	<u>23,050</u>

(Continued)

AUDEN TECHNO CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Real estate leases

As of December 31, 2022 and 2021, the Group leases land and buildings for its office space at factories. The leases of office space typically run for 2 to 10 years.

(ii) Other leases

The Group leases transportation equipment, with lease terms of 3 to 5 years.

(p) Employee benefits

(i) Defined benefit plans

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

	December 31, 2022	December 31, 2021
Present value of the defined benefit obligations	\$ (5,250)	(5,248)
Fair value of plan assets	4,593	4,175
Net defined benefit liability	<u>\$ (657)</u>	<u>(1,073)</u>

The Group makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions benefits for employees upon retirement. Under the Labor Standards Act, each employee's retirement payment is calculated based on years of service and the average salary for the six months prior to retirement.

1) Composition of plan assets

The Group 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 Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from the two-year time deposits with the interest rates offered by local banks.

As of December 31, 2022, the Group's pension fund with Bank of Taiwan amounted to \$4,593 thousand. For information on the utilization of the labor pension fund assets including the asset allocation and yield rate of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(Continued)

AUDEN TECHNO CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Movements in present value of the defined benefit obligations

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

	<u>2022</u>	<u>2021</u>
Defined benefit obligation at January 1	\$ (5,248)	(8,451)
Current service costs and interest	(36)	(27)
Remeasurement of net liabilities (assets) for defined benefit obligations		
— Actuarial loss (gain) arising from experience adjustments	(314)	971
— Actuarial loss (gain) arising from demographic assumptions	-	(19)
— Actuarial loss (gain) arising from financial assumptions	348	308
Disposal of subsidiaries	<u>-</u>	<u>1,970</u>
Defined benefit obligation at December 31	<u>\$ (5,250)</u>	<u>(5,248)</u>

3) Movements in fair value of plan assets

The movements in the fair value of the Group's plan assets for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Fair value of plan assets at January 1	\$ 4,175	5,092
Interest income	29	20
Remeasurements of the net defined benefit liabilities (assets)— return on plan assets (excluding interest income)	321	54
Contributions paid by the employer	68	162
Disposal of subsidiaries	<u>-</u>	<u>(1,153)</u>
Fair value of plan assets at December 31	<u>\$ 4,593</u>	<u>4,175</u>

(Continued)

AUDEN TECHNO CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Expenses recognized in profit or loss

The Group's expenses recognized on profit or loss for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Current service costs	\$ -	-
Net interest on the defined benefit liabilities (asset)	7	7
	<u>\$ 7</u>	<u>7</u>
Total operating costs	\$ -	2
Administrative expenses	2	2
Research and development expense	<u>5</u>	<u>3</u>
	<u>\$ 7</u>	<u>7</u>

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

The remeasurement of the net defined benefit liabilities recognized in other comprehensive income were as follows:

	<u>2022</u>	<u>2021</u>
Cumulative amount at January 1	\$ (5,227)	(6,541)
Recognized in current period	<u>355</u>	<u>1,314</u>
Cumulative amount at December 31	<u>\$ (4,872)</u>	<u>(5,227)</u>

6) Actuarial assumptions

The Group's assumptions used on calculating the present value of the defined benefit obligation at reporting date were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.30 %	0.70 %
Future salary increases rate	3.00 %	3.00 %

The expected contribution to be made by the Group to the defined benefit plans for the next annual reporting period is \$81 thousand.

The weighted average duration of the defined benefit plan is 10 years.

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AUDEN TECHNO CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

7) Sensitivity analysis for actuarial assumption

As of December 31, 2022 and 2021, the effect of changes in actuarial assumptions on the present value of the defined benefit obligations were as follows:

	The impact of defined benefit obligation	
	Increase	Decrease
At December 31, 2022		
Discount rate (changes 0.25%)	\$ (137)	141
Future salary increasing rate (changes 0.25%)	139	(135)
At December 31, 2021		
Discount rate (changes 0.25%)	\$ (148)	154
Future salary increasing rate (changes 0.25%)	150	(145)

The above sensitivity analysis is based on the effect of changes in a single assumption under the condition that other assumptions remain constant. In practice, many changes in assumptions may be linked together. The method used for the sensitivity analysis and calculation of the net defined benefit pension liability in the balance sheet are the same.

The method used for the sensitivity analysis in this year is the same as the method used in the previous year.

(ii) Defined contribution plans

The Group allocates 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 these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

Auden Communications & Multimedia Techno (Kunshan) Co., Ltd., TA Technology (Shanghai), CC&C Xi'an, CC&C Shenzhen and Auden Techno Corp. (Shanghai) provide pension insurance at a certain rate according to the total salary of local employees on a monthly basis complying with the pension insurance system prescribed by the Government of the People's Republic of China. The amount contributed is charged to current expenses, with a ratio of 0% to 16% for the years ended December 31, 2022 and 2021. The pension for each employee is managed and coordinated by the Government and the Group has no further obligation except for monthly contributions.

The Group's pension costs under the defined contribution method were \$12,567 thousand and \$12,247 thousand for the years ended December 31, 2022 and 2021, respectively.

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AUDEN TECHNO CORP. AND SUBSIDIARIES
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(q) Income taxes

- (i) The amounts of the Group's income tax expense (benefit) for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Current taxes expense		
Current period	\$ 82,295	29,884
Adjustment for prior periods	<u>(4,763)</u>	<u>5,027</u>
	<u>77,532</u>	<u>34,911</u>
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	(9,257)	(5,934)
Adjustment for prior years' deferred income tax	<u>10,133</u>	<u>1,357</u>
	<u>876</u>	<u>(4,577)</u>
Income tax expense	<u>\$ 78,408</u>	<u>30,334</u>

The amounts of the Group's income tax expense recognized under other comprehensive income for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Items that may not be reclassified into profit and loss:		
Remeasurement of defined benefit plans	<u>\$ (71)</u>	<u>(263)</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	<u>\$ (4,088)</u>	<u>862</u>

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AUDEN TECHNO CORP. AND SUBSIDIARIES
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Reconciliations of the Group's income tax expense (benefit) and income before tax for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Income before tax	\$ <u>401,997</u>	<u>315,663</u>
Income tax using the Company's domestic tax rate	\$ 80,399	63,133
Effect of tax rates in foreign jurisdiction	(2,752)	12,735
Loss (gain) on disposal of domestic subsidiaries	774	(19,700)
Income from tax exemption	(380)	(11,487)
Investment tax credit	(6,668)	(3,136)
Recognition of previously unrecognized tax losses	-	(298)
Change in unrecognized temporary differences	(382)	(19,688)
Adjustment for deferred income tax of prior years	10,133	1,357
Change in provision in prior periods	(4,763)	5,027
Additional tax on undistributed earnings	3,409	463
Income tax paid on overseas income	-	379
Other	<u>(1,362)</u>	<u>1,549</u>
Total	<u>\$ 78,408</u>	<u>30,334</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

As of December 31, 2022 and 2021, the temporary differences associated with investments in certain subsidiaries were not recognized as deferred income tax liabilities as the Group has the ability to control the reversal of these temporary differences which are not expected to reverse in the foreseeable future. Details are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Aggregate amount of temporary differences related to investments in subsidiaries	\$ <u>166,734</u>	<u>-</u>
Unrecognized deferred tax liabilities	<u>\$ 33,348</u>	<u>-</u>

2) Unrecognized deferred tax assets

The Group's deferred tax assets have not been recognized in respect of the following items:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unused tax losses	\$ <u>6,743</u>	<u>2,594</u>

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AUDEN TECHNO CORP. AND SUBSIDIARIES
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The ROC Income Tax Act allows tax losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. The deferred tax assets have not been recognized in respect of these items because they are not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2022, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

<u>Year of loss</u>	<u>Unused tax losses</u>	<u>Expiry date</u>
Auray Technology Corp.		
2021	\$ 2,594	2031
2022	<u>3,995</u>	2032
Total	<u><u>\$ 6,589</u></u>	
Auden Intelligence Carbon Solution Co. Ltd.		
2022	<u><u>\$ 154</u></u>	2032

3) Recognized deferred income tax assets and liabilities

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

Deferred tax liabilities:

	<u>Long term gains on investments (foreign)</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2022	\$ (53,098)	(266)	(53,364)
Recognized in profit or loss	(18,775)	7	(18,768)
Balance at December 31, 2022	<u><u>\$ (71,873)</u></u>	<u><u>(259)</u></u>	<u><u>(72,132)</u></u>
Balance at January 1, 2021	\$ (50,645)	(190)	(50,835)
Recognized in profit or loss	(2,453)	(163)	(2,616)
Proceeds from disposal of subsidiaries	-	87	87
Balance at December 31, 2021	<u><u>\$ (53,098)</u></u>	<u><u>(266)</u></u>	<u><u>(53,364)</u></u>

Deferred tax assets:

	<u>Impairment on assets</u>	<u>Adjustments</u>	<u>Other</u>	<u>Total</u>
Balance at January 1, 2022	\$ 6,619	4,088	14,885	25,592
Recognized in profit or loss	-	-	17,892	17,892
Recognized in other comprehensive income	-	(4,088)	(71)	(4,159)
Balance at December 31, 2022	<u><u>\$ 6,619</u></u>	<u><u></u></u>	<u><u>32,706</u></u>	<u><u>39,325</u></u>

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AUDEN TECHNO CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Impairment on assets</u>	<u>Adjustments</u>	<u>Other</u>	<u>Total</u>
Balance at January 1, 2021	\$ 6,619	3,226	9,617	19,462
Recognized in profit or loss	-	-	7,193	7,193
Recognised in other comprehensive loss	-	862	(263)	599
Proceeds from disposal of subsidiaries	-	-	(1,662)	(1,662)
Balance at December 31, 2021	<u>\$ 6,619</u>	<u>4,088</u>	<u>14,885</u>	<u>25,592</u>

(iii) Examination and approval

The ROC income tax authorities have examined the Group's income tax returns through 2020. The Group's income tax returns of subsidiaries in Mainland China for the years through 2021 have been reported to the P.R.C income tax authorities.

(r) Share capital and other equity

As of December 31, 2022 and 2021, the Company's authorized share capital amounted to \$600,000 thousand; divided into 60,000 thousand shares with par value of \$10 per share, in which \$60,000 thousand is reserved for employee stock option certificates. As of December 31, 2022 and 2021, 46,713 thousand ordinary shares and 46,722 thousand shares are issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for December 31, 2022 and 2021 were as follows:

	(In thousands of shares)	
	Ordinary share	
	<u>2022</u>	<u>2021</u>
Outstanding at January 1	46,396	46,196
Vesting condition of restricted stock to employee	259	200
Outstanding at December 31	<u>46,655</u>	<u>46,396</u>
Restricted stock to employee issued by January 1	326	500
Vesting condition of restricted stock to employee	(259)	(200)
Write down of restricted stock to employee	(9)	(100)
Issue restricted stock to employee	-	126
Restricted stock to employee issued but not outstanding by December 31	58	326
Equity at end of period, December 31	<u><u>46,713</u></u>	<u><u>46,722</u></u>

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AUDEN TECHNO CORP. AND SUBSIDIARIES
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(i) Ordinary shares

The shareholders' meeting resolved on June 2, 2020 to issue 1,100 thousand shares, with a par value of \$10 per share, of restricted stock to full-time employees who conformed to certain requirements at no costs. The total shares amounting to \$11,000 thousand. The case has been declared to be in effect by the Securities and Futures Bureau of Financial Supervisory Commission on August 17, 2020. Pursuant to the Board of Directors resolution on August 12, 2020, the Company issue 500 thousand new shares in the first new restricted employee shares for the year ended December 31, 2020. Then the Chairman is authorized to set October 5, 2020 as the base day for the increase of the share capital. On August 11, 2021, the second new restricted employee shares, amounting to total of 126 thousand shares, for the year ended December 31, 2020 were issued by a resolution of the Board of Directors. The chairman is authorized to set August 16, 2021 as the base day for increase of the share capital. All of the statutory registration procedure has been completed. Please refer to note 6(s) for the information of the Company's restricted employee new shares.

The Company has recovered 100 thousand new restricted employee shares as a result of the employee turnover in March 2021 with a par value of \$1,000 thousand, including the adjusted capital reserve and unearned employee compensation, amounting to \$4,696 thousand. On May 11, 2021, the Board resolved to set May 31, 2021 to be the base day for the capital reduction. The relevant statutory registration procedures were completed on June 15, 2021 and the adjusted capital reserve of \$1,000 thousand was canceled.

The Company has recovered 8,600 thousand new restricted employee shares as a result of the employee turnover from May to August 2022 with a par value of \$86 thousand, including the adjusted capital reserve and other equity - unearned employee compensation, amounting to \$1,488 thousand, respectively. On August 10, 2022, the Board resolved to set August 31, 2022 to be the base day for the capital reduction. The relevant statutory registration procedures were completed on September 16, 2022 and the adjusted capital reserve of \$86 thousand was write down.

The shareholders' meeting resolved on August 27, 2021 to issue 300 thousand shares, with a par value of \$10 per share, of restricted stock to full-time employees who conformed to certain requirements at no costs. The total shares amounting to \$3,000 thousand. The case has been declared to be in effect by the Securities and Futures Bureau of Financial Supervisory Commission on August 17, 2022.

As of December 31, 2022, the restricted company shares of stock issued to employees have expired, of which 2 thousand shares are pending to be retired. The Board authorized the Chairman to set the base day for this capital reduction on March 10, 2023, which has not yet been write down.

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AUDEN TECHNO CORP. AND SUBSIDIARIES
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(ii) Capital surplus

The balances of the Company's capital surplus were as follows:

	December 31, 2022	December 31, 2021
Share capital at premium	\$ 373,795	349,329
Restricted stock to employee	9,454	35,322
Share option — equity components recognized for convertible bonds issued	93,058	-
	<u>\$ 476,307</u>	<u>384,651</u>

The Company's capital surplus is derived from the premiums on the issuance of ordinary shares. In accordance with the ROC Company Act, the capital surplus must be used to offset losses, then the realized capital surplus can be used to issue new shares or cash in proportion to the shareholders' original shares. The aforementioned realized capital surplus includes the proceeds from the issuance of shares in excess of par value and the proceeds from the receipt of gifts. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total amount of capital surplus that may be capitalized each year shall not exceed 10% of the paid-in capital.

(iii) Retained earnings

In accordance with the Articles of Incorporation of the Company, if there is any surplus in the annual earnings of the Company, in addition to the payment of tax contributions in accordance with the law, the Company shall first make up for the loss in previous years and provide for the legal reserve in accordance with the law. To set aside or reverse the special reserve and combine its balance to the unallocated earnings at the beginning of the period as distributable earnings, to be retained at the discretion of the Board with reference to the distribution rate of prior years' earnings and future operating demands of the Company, Further, in respect of the retained earnings, the Board shall propose a distribution proposal for the earnings to be distributed in the form of issuing new shares, which shall be submitted to the general shareholders' meeting for resolution for distribution. For distribution be made in cash, the board of directors is authorized to distribute by special resolution and then be reported to the shareholders' meeting.

The dividend policy of the Company is based on the residual dividend policy in order to continue to expand business size and to increase the profitability, and to tie in with the Company's capital requirements as well as long-term financial planning for sustainable operation and stable development. Dividends shall be distributed on the basis of not less than 15% of the distributable earnings, provided that any dividend per share which is less than \$0.25 as a result of such distribution may be proposed by the Board not to be distributed and then submitted to the Shareholders' meeting for recognition. The earnings distribution may be distributed by way of cash dividend and/or stock dividend. The distribution ratio for cash dividend should not be less than 10% of the total dividend distribution.

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AUDEN TECHNO CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Legal reserve

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 which exceeds 25% of the paid-in capital.

2) Special reserve

By choosing to apply exemptions granted under IFRS 1 "First time Adoption of International Financial Reporting Standards" during the Company's first time adoption of the International Financial Reporting Standards endorsed by the FSC, retained earnings increased by \$28,767 thousand by recognizing the cumulative translation adjustments (gains) on the adoption date as deemed cost. In accordance with Order No. 1010012865 issued by the FSC on April 6, 2012, the increase in retained earnings (\$28,767 thousand) due to the first time adoption of IFRSs shall be reclassified as special reserve, and when the relevant asset is used, disposed of, or reclassified, this special reserve, shall be reversed as distributable earnings proportionately. The carrying amount of special reserve amounted to \$28,767 thousand as of December 31, 2022 and 2021.

In accordance with the rules issued by the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between 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.

3) Distribution of earnings

The appropriations of 2021 and 2020 earnings have been approved by the Company's shareholders in its meetings held on March 23, 2022 and March 23, 2021, respectively. The appropriations and dividends per share were as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Amount per share (dollars)</u>	<u>Total Amount</u>	<u>Amount per share (dollars)</u>	<u>Total Amount</u>
Dividends distributed to ordinary shareholders:				
Cash	\$ 3.00	<u><u>140,165</u></u>	1.60	<u><u>74,713</u></u>

(Continued)

AUDEN TECHNO CORP. AND SUBSIDIARIES
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On March 14, 2023, the Company's Board of Directors resolved to appropriate the 2022 earnings. These earnings were appropriated as follows:

	2022	
	Amount per share(dollars)	Total Amount
Dividends distributed to ordinary shareholders:		
Cash	\$ 3.50	163,489

The information on prior year's distribution of the Company's earnings were announced through the Market Observation Post System on the internet.

(iv) Other equity interest, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Share-based payments - Unearned compensation cost	Non-controlling interests	Total
Balance at January 1, 2022	\$ (43,114)	32,252	(15,069)	(3,151)	(29,082)
Exchange differences on translation of net assets of foreign operations	19,807	-	-	748	20,555
Unrealized gains (losses) on financial assets at fair value through other comprehensive income	-	(23,030)	-	-	(23,030)
Restricted stock to employee adjustments	-	-	1,488	-	1,488
Share-based payment	-	-	11,722	-	11,722
Proceeds from disposal of subsidiaries	-	-	-	2,403	2,403
Balance at December 31, 2022	\$ (23,307)	9,222	(1,859)	-	(15,944)
Balance at January 1, 2021	\$ (40,522)	40,485	(15,511)	(2,822)	(18,370)
Exchange differences on translation of net assets of foreign operations	(2,592)	-	-	(329)	(2,921)
Unrealized gains (losses) on financial assets at fair value through other comprehensive income	-	(8,233)	-	-	(8,233)
Restricted stock to employee adjustments	-	-	(17,102)	-	(17,102)
Share-based payment	-	-	17,544	-	17,544
Balance at December 31, 2021	\$ (43,114)	32,252	(15,069)	(3,151)	(29,082)

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AUDEN TECHNO CORP. AND SUBSIDIARIES
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(s) Sharebased payment

The information of the Company's restricted employee new shares (in thousands) is as follows:

The restricted stock is kept by a trust, which is appointed by the Company, before the vesting condition is met. These shares shall not be sold, pledged, transferred, gifted, hypothecated or disposed of by any other means to third parties during the custody period. Holders of restricted stock awards are entitled to the same rights as the Company's existing ordinary shareholders except for the fact that restricted stock awards are held in trust and have vesting conditions. Also, the Company has the right to take back all unvested shares without compensation and to cancel all restricted stock awards issued to employees who fail to comply with the vesting condition.

	Second Restricted Employee Shares for the year ended December 31, 2020 (issued in 2021)	First Restricted Employee Shares for the year ended December 31, 2020 (issued in 2020)
Grant date	August 16, 2021	October 5, 2020
Number of options granted	126,000	500,000
Contract term (years)	1~2	1~2
Vesting conditions	Note	Note
Exercise price per share (dollars)	\$0	\$0
Adjusted performance price (dollars)	\$0	\$0

Note: Vesting conditions

(i) years of service

- 1) 25% of the shares are vested in employees who remain in service for one year following the expiry date after receiving new restricted employee shares.
- 2) 25% of the shares are vested in employees who remain in service for two years following the expiry date after receiving new restricted employee shares.

(ii) individual performance

- 1) In the year of receiving new Restricted Employee shares, an employee scores personal performance indicator A will be entitled to 25% vested shares; an employee scores personal performance indicator B will be entitled to 15% vested shares; an employee scores personal performance indicator C will be entitled to 5% vested shares; and an employee scores personal performance indicator D will be entitled to 0% vested shares.

(Continued)

AUDEN TECHNO CORP. AND SUBSIDIARIES
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- 2) In the subsequent year of receiving new restricted employee shares, an employee scores personal performance indicator A will be entitled to 25% vested shares; an employee scores personal performance indicator B will be entitled to 15% vested shares; an employee scores personal performance indicator C will be entitled to 5% vested shares; and an employee scores personal performance indicator D will be entitled to 0% vested shares.

- (i) Measurable parameter of fair value at grant date

The second issuance of the Company in the year ended December 31, 2021 was based on the fair value of the share-based payment at the closing price of \$173 on the grant date.

For the first issuances in the year ended December 31, 2020, the Company used the Black Scholes method in measuring the fair value of the share-based payment at the grant date. The measurement inputs were as follows:

	First Restricted Employee Shares for the year ended December 31, 2020 (issued in 2020)
Fair value at the grant date (unit: New Taiwan dollars)	\$ 46.96
Exercise price (unit: New Taiwan dollars)	Free of charge
Expected volatility (%)	41.44
The expected life of the option (years)	0.18
The risk-free rate (%)	0.0622

- (ii) The information of the Company's restricted employee new shares (in thousands) is as follows:

	Unit: thousand shares	
	2022	2021
Outstanding at January 1	326	500
Retired during the year	(9)	(100)
Number of options granted during the year	-	126
Forfeited during the year	(2)	-
Vested during the year	(259)	(200)
Outstanding at December 31	56	326

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AUDEN TECHNO CORP. AND SUBSIDIARIES
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(iii) Expenses recognized in profit or loss

For the years ended December 31, 2022 and 2021, the compensation cost recognized amounted to \$11,722 thousand and \$17,544 thousand, respectively and are accounted for under operation expense. As of December 31, 2022 and 2021, the Company has deferred the unearned compensation cost arising from the issuance of restricted stock awards amounting to \$1,859 thousand and \$15,069 thousand, respectively. Such deferred amounts were recorded as deduction of other equity. Please refer to note 6(r) for details of changes in the Company's interests as a result of the issuing new shares restricting the rights of employees.

(t) Earnings per share

	<u>2022</u>	<u>2021</u>
Basic earnings per share		
Net income attributable to ordinary shareholders of the Company	\$ <u>320,777</u>	<u>275,969</u>
Weighted-average number of ordinary shares outstanding (in thousands of shares)	<u>46,527</u>	<u>46,295</u>
Basic earnings per share (in New Taiwan dollars)	\$ <u>6.89</u>	<u>5.96</u>
Diluted earnings per share		
Net income attributable to ordinary equity holders of the Company (basic)	\$ 320,777	275,969
Effect of dilutive potential ordinary shares		
Convertible bonds expenses	5,872	-
Losses on financial assets at fair value through profit or loss	1,560	-
Net income attributable to ordinary equity holders of the Company (dilutive)	\$ <u>328,209</u>	<u>275,969</u>
Weighted-average number of ordinary shares outstanding (in thousands of shares)	46,527	46,295
Effect of dilutive potential ordinary shares		
Effect of employee remuneration	67	29
Effect of the conversion of convertible bonds	1,658	-
New restricted employee shares	<u>177</u>	<u>364</u>
Weighted average number of ordinary shares outstanding (after adjusting the effect of dilutive the potential ordinary share) (in thousands of shares)	<u>48,429</u>	<u>46,688</u>
Diluted earnings per share (in New Taiwan dollars)	\$ <u>6.78</u>	<u>5.91</u>

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AUDEN TECHNO CORP. AND SUBSIDIARIES
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(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2022</u>	<u>2021</u>
Primary geographical markets:		
Taiwan	\$ 245,280	312,991
Mainland China	1,445,252	1,083,354
Other countries	<u>27,507</u>	<u>36,481</u>
	<u>\$ 1,718,039</u>	<u>1,432,826</u>

(ii) Details of revenue by products

The segmental information of the Group is divided into reporting departments based on different products and services, and the revenue from external customers is disclosed in it, so no additional product and service information is disclosed.

(iii) Contract balances

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Notes receivable	\$ 23,863	41,082	43,541
Accounts receivable	328,597	299,522	247,506
Accounts receivable— current	-	-	22,762
Installment accounts receivable— non-current	-	-	3,502
Less: Unrealized interest income— current	-	-	(935)
Unrealized interest income— non-current	-	-	(25)
Loss allowance— accounts receivable	(1,786)	(2,316)	(5,382)
Total	<u>\$ 350,674</u>	<u>338,288</u>	<u>310,969</u>
contract liability (recognized in other current liabilities - others)	<u>\$ 217,906</u>	<u>94,777</u>	<u>133,905</u>

For details on accounts receivable and its loss allowance, please refer to note 6(c).

The amount of revenue recognized for the years ended December 31, 2022 and 2021 included the contract liability balance at the beginning of the period were \$72,623 thousand and \$126,769 thousand, respectively.

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied by transferring ownership to the customer and the payment to be received.

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AUDEN TECHNO CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Remuneration to employees, and directors

In accordance with the articles of incorporation the Company should contribute no less than 2% of the profit as employee remuneration and not more than 2% as directors' and supervisors' remuneration when there is profit for the year. (income before tax, excluding remuneration to employees and directors) A company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the preceding two paragraphs distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

The Company estimated its remuneration to employees amounting to \$7,685 thousand and \$6,160 thousand and directors' and supervisors' remuneration amounting to \$6,916 thousand and \$2,464 thousand for the years ended December 31, 2022 and 2021, respectively. The estimated amounts mentioned above are calculated based on the profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of the remuneration to employees and directors, as specified in the Company's article. These remunerations were expensed under operating expenses during 2022 and 2021. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholders' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year.

For the year ended December 31, 2021, the remunerations to employees amounted to \$6,160 thousand. The remuneration to directors and supervisors amounted to \$2,464 thousand. There was no difference from the actual distribution. The related information can be accessed from market observation post system website.

(w) Non-operating income and expenses

(i) Interest income

The details of interest income of the Group were as follows:

	<u>2022</u>	<u>2021</u>
Interest income from bank deposits	\$ 3,707	2,997
Other interest income	-	3
Total interest income	<u>\$ 3,707</u>	<u>3,000</u>

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AUDEN TECHNO CORP. AND SUBSIDIARIES
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(ii) Other income

The details of other income of the Group were as follows:

	<u>2022</u>	<u>2021</u>
Rent income	\$ 492	483
Dividend income	1,904	1,554
Other income – other		
Revenues from project	59,652	40,048
Others	6,132	9,510
Other income – other subtotal	65,784	49,558
	<u>\$ 68,180</u>	<u>51,595</u>

(iii) Other gains and losses

The details of other income of the Group were as follows:

	<u>2022</u>	<u>2021</u>
Gain (loss) on disposal of property, plant and equipment	\$ (39)	3,032
Gain on disposals of subsidiaries, net	194,179	98,499
Gains on foreign exchange, net	53,172	9,831
Net loss on financial assets or liabilities at fair value through profit or loss	(1,560)	-
Other gains and losses	(1,466)	(2,649)
	<u>\$ 244,286</u>	<u>108,713</u>

(iv) Finance cost

The details of finance cost of the Group were as follows:

	<u>2022</u>	<u>2021</u>
Interest on bank borrowings	\$ 2,989	1,295
Interest expenses on lease liabilities	1,242	1,477
Discount amortization of corporate bonds payable	3,872	-
The guarantee service fee of corporate bond	2,000	-
	<u>\$ 10,103</u>	<u>2,772</u>

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AUDEN TECHNO CORP. AND SUBSIDIARIES
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(x) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

As of December 31, 2022 and 2021, 43% and 32%, respectively, of accounts receivable (including related parties) were three major customers.

3) Credit risk of accounts receivable

For credit risk exposure of note and trade receivables, please refer to note 6(c). For details of other receivables, please refer to note 6(d). These are mainly rebates from suppliers, revenues from government projects and other receivables and are therefore financial assets with low credit risk.

(ii) Liquidity risk

The following table showed the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1-2 years</u>	<u>2-5years</u>	<u>Over 5 years</u>
December 31, 2022						
Notes payable	\$ 38,092	38,092	38,092	-	-	-
Accounts payable	156,494	156,494	156,494	-	-	-
Other payables	233,098	233,098	233,098	-	-	-
Lease liabilities	18,358	18,997	7,072	4,357	4,072	3,496
Long-term borrowings (including current portion)	190,000	224,152	3,430	8,988	42,582	169,152
Bonds Payables	391,559	400,000	-	-	400,000	-
Guarantee deposits	<u>130</u>	<u>130</u>	<u>130</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,027,731</u>	<u>1,070,963</u>	<u>438,316</u>	<u>13,345</u>	<u>446,654</u>	<u>172,648</u>
December 31, 2021						
Notes payable	\$ 44,496	44,496	44,496	-	-	-
Accounts payable	220,997	220,997	220,997	-	-	-
Other payables	170,997	170,997	170,997	-	-	-
Lease liabilities	69,332	73,515	12,618	10,907	31,659	18,331
Long-term borrowings (including current portion)	190,000	213,944	2,185	2,185	34,081	175,493
Guarantee deposits	<u>130</u>	<u>130</u>	<u>130</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 695,952</u>	<u>724,079</u>	<u>451,423</u>	<u>13,092</u>	<u>65,740</u>	<u>193,824</u>

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AUDEN TECHNO CORP. AND SUBSIDIARIES
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The Group does not expect that the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Currency risk exposure

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

	December 31, 2022			December 31, 2021		
	Foreign currency	Exchange rate	Amount	Foreign currency	Exchange rate	Amount
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 17,541	30.7100	538,698	12,251	27.6800	339,102
CNY	12,630	4.4080	55,672	24,962	4.3440	108,435
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	3,471	30.7100	92,027	4,722	27.6800	130,692
CNY	20,877	4.4080	106,590	29,277	4.3440	127,179

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable and other receivables, loans, accounts and other payables that are denominated in foreign currency. A strengthening (weakening) of 3% of the NTD against the USD, the CNY at December 31, 2022 and 2021, would have increased or decreased the profit before tax by \$9,498 thousand and \$4,552 thousand, respectively. The analysis assumes that all other variables remain constant and was performed on the same basis for both periods.

3) Foreign exchange gains and losses on monetary items

Due to the numerous types of functional currency of the Group, the Group disclosed its exchange gains and losses of monetary items aggregately. The Group's exchange gains, including realized and unrealized, were \$53,172 thousand and \$9,831 thousand for the years ended December 31, 2022 and 2021, respectively.

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AUDEN TECHNO CORP. AND SUBSIDIARIES
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(iv) Fair value information

1) Categories and fair value of financial instruments

The Group measured its financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income on a recurring basis. The carrying amount and fair value of the 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 for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	December 31, 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value through profit or loss					
Convertible bonds-redemption right	\$ 80	-	80	-	80
Financial assets at fair value through other comprehensive income					
Equity instrument without quoted price measured at fair value	84,158	-	-	84,158	84,158
Financial assets measured at amortized cost					
Cash and cash equivalents	1,411,209	-	-	-	-
Notes and accounts receivable	350,674	-	-	-	-
Other receivables	110,452	-	-	-	-
Other financial assets (current and non-current)	156,944	-	-	-	-
Subtotal	2,029,279	-	-	-	-
Total	\$ 2,113,517	-	80	84,158	84,238

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	December 31, 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Bank borrowings	\$ 190,000	-	-	-	-
Notes and accounts payable	194,586	-	-	-	-
Other payables	233,098	-	-	-	-
Lease liabilities	18,358	-	-	-	-
Bonds Payable	391,559	-	-	-	-
Guarantee deposits	<u>130</u>	-	-	-	-
Total	<u>\$ 1,027,731</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	December 31, 2021				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value through other comprehensive income					
Equity instrument without quoted price measured at fair value	\$ <u>71,326</u>	<u>-</u>	<u>-</u>	<u>71,326</u>	<u>71,326</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	667,762	-	-	-	-
Notes and accounts receivable	338,288	-	-	-	-
Other receivables	85,524	-	-	-	-
Other financial assets (current and non- current)	85,857	-	-	-	-
Subtotal	<u>1,177,431</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,248,757</u>	<u>-</u>	<u>-</u>	<u>71,326</u>	<u>71,326</u>

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AUDEN TECHNO CORP. AND SUBSIDIARIES
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	December 31, 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Bank borrowings	\$ 190,000	-	-	-	-
Notes and accounts payable	265,493	-	-	-	-
Other payables	170,997	-	-	-	-
Lease liabilities	69,332	-	-	-	-
Guarantee deposits	130	-	-	-	-
Total	<u>\$ 695,952</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Valuation techniques and assumptions used in fair value determination

The above financial instruments held by the Group are not derivative financial instruments, the Group estimated the fair value of the remaining financial instruments by using the valuation techniques. 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.

If the financial instruments held by the Group have no active market, the measurements of fair value are categorized as follows:

Equity instruments without quoted price: the measurements of fair value of equity instruments without an active market are based on income approach, the market comparable listed company approach or comparable transaction method of market approach, the market comparable listed company approach assumes that the fair value is measured by the investee' estimated net worth of equity, enterprise value and price-book ratio, enterprise value multiplier and price earnings ratio multiplier estimated based on comparable quoted market price. The estimate of the fair value of equity instruments has been adjusted due to the effect of the discount arising from the lack of market liquidity of the equity security. The income approach is individually assessed on the average net profit after tax and dividends of the evaluated companies in recent years, and on the average capitalization and yield of the comparable company.

3) Fair value hierarchy

The Group used the fair value that can be observed in the market to measure the value of assets and liabilities. Fair values levels are based on the degree in which the fair value can be observed and grouped in to Levels 1 to 3 as follows:

- a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

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AUDEN TECHNO CORP. AND SUBSIDIARIES
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- b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- c) Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

There is no movement of financial instruments measured at fair value between Level 1, Level 2, and Level 3 for the Group.

- 4) Transfers from Level 1 financial instrument to Level 2 financial instrument

There were no level transfers from Level 2 to Level 1 in 2022 and 2021.

- 5) The reconciliation of Level 3 fair values

	<u>Unquoted equity instruments</u>
Balance at January 1, 2022	\$ 71,326
Total gains and losses	
Recognized in other comprehensive income	(23,030)
Purchase	<u>35,862</u>
Balance at December 31, 2022	<u>\$ 84,158</u>
Balance at January 1, 2021	\$ 57,059
Total gains and losses	
Recognized in other comprehensive income	(8,233)
Purchase	<u>22,500</u>
Balance at December 31, 2021	<u>\$ 71,326</u>

- 6) The quantified information for significant unobservable inputs (level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include fair value through other comprehensive income.

The Group classified the equity instrument has significant unobservable inputs. The significant unobservable inputs of equity investments without an active market are individually independent, and there is no correlation between them.

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AUDEN TECHNO CORP. AND SUBSIDIARIES
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Quantified information regarding significant unobservable inputs are as follows:

December 31, 2022			
Item	Valuation technique	Significant unobservable inputs	Interrelationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income – equity investments without an active market	Comparable listed companies approach	<ul style="list-style-type: none"> • P/B ratio (2.02 and 3.61) • The multiplier of enterprise Value and EBITDA (8.7) • Discount for lack of market liquidity (29.96%~30%) 	<ul style="list-style-type: none"> • The higher the multiples, the higher the fair value • The higher the multiples, the higher the fair value • The higher the market liquidity discount rate, the lower the fair value
December 31, 2021			
Item	Valuation technique	Significant unobservable inputs	Interrelationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income – equity investments without an active market	Comparable listed companies approach	<ul style="list-style-type: none"> • P/B ratio (2.75 and 6.03) • The multiplier of enterprise Value and EBITDA (13.62) • Discount for lack of market liquidity (18.78%~30%) 	<ul style="list-style-type: none"> • The higher the multiples, the higher the fair value • The higher the multiples, the higher the fair value • The higher the market liquidity discount rate, the lower the fair value

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AUDEN TECHNO CORP. AND SUBSIDIARIES
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- 7) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Group's measurement on the fair value of financial instruments is deemed reasonable despite different valuation models or assumptions may lead to different results. 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:

	<u>Inputs</u>	<u>Upward or downward movement</u>	<u>Other comprehensive income arising from changes in fair value</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
Balance at December 31, 2022				
Financial assets at fair value through other comprehensive income				
Equity investments without an active market	P/B ratio	5%	633	(1,344)
	The multiplier of enterprise Value and EBITDA	5%	1,100	(1,073)
	Discount for lack of market liquidity	5%	3,218	(3,789)
Balance at December 31, 2021				
Financial assets at fair value through other comprehensive income				
Equity investments without an active market	P/B ratio	5%	1,937	(1,986)
	The multiplier of enterprise Value and EBITDA	5%	1,241	(1,241)
	Discount for lack of market liquidity	5%	4,781	(4,785)

The favorable change and unfavorable change refer to the fluctuation of fair value. The fair value is calculated based on the different levels of unobservable inputs. The table above shows the effects of one unobservable input, without considering the inter-relationships with another unobservable input for financial instrument, if there are one or more unobservable inputs.

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AUDEN TECHNO CORP. AND SUBSIDIARIES
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(y) Financial risk management

(i) Overview

The Group has exposures to the following risks from its financial instruments:

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

This note discloses information about the Group's exposure to each of the above risks, and the Group's objectives, policies and processes for measuring and managing risks.

(ii) Risk management framework

The Board of Directors of the Group is full responsible for the establishment and management of the Group's risk management framework and policies. It is developed and managed by the committee which is authorized by the Board of Directors and the committee reports to the Board of Directors regarding the framework's operations regularly.

The Group's risk management policies are established to identify and analyze the risks being faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Board of Directors oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Board of Directors is assisted in its oversight role by Internal Audit with undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and financial assets in debt securities.

1) Accounts receivable and other receivables

In accordance with the credit policies set out internally by the Group, each operating entity within the Group is required to perform management and credit risk analysis on each of its new customers before setting the terms and conditions for payment and delivery. Internal risk controls assess the credit quality of customers by taking into account of their financial position, past experience and other factors. The use of credit facilities is monitored on a regular basis.

(Continued)

AUDEN TECHNO CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Investments

The credit risk exposure in the bank deposits and other financial instruments are measured and monitored by the Group's finance department. As the Group deals with the banks and other external parties with good credit standing and financial institutions, corporate organization and government agencies which are graded above investment level, management believes that the Group do not have compliance issues and no significant credit risk.

3) Guarantees

Pursuant to the Group's policies, it is only permissible to provide financial guarantees to subsidiaries and companies that the Group has business with.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to manage liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that there is sufficient cash to meet all contractual obligations. The Group has unused bank facilities for \$195,504 thousand as of December 31, 2022.

(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 Group 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 optimizing the return.

1) Foreign currency risk

The Group's exposure to the risk of exchange rates arising from sales, purchases and borrowing transactions that are not denominated in the functional currency of the individual entities of the Group. The functional currency of the Group's entities is primarily the New Taiwan dollar. These transactions are denominated in New Taiwan dollar (NTD), US dollar (USD) and Chinese Yuan (CNY).

The Group has no significant differences or material changes in the accounts receivable and therefore the Group currently uses natural hedging as its primary exchange risk prevention policy in respect of exchange rate risk.

2) Interest rate risk

The financial assets of the Group suffers from fair value risk of their changes in interest rates, are bank deposits; financial liabilities are short-term and long-term borrowings; however, the effect of changes in interest rates on fair value of such financial assets is not significant.

(Continued)

AUDEN TECHNO CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(z) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

There were no changes in the Group's approach to capital management during the year.

The Group uses the debt to equity ratio to manage capital. This ratio is using the total net debt divided by the total capital. The debt from the balance sheet is the total liabilities. The total capital and equity include share capital, capital surplus, retained earnings, other equity, and non-controlling interests.

Information on the aggregate amount of the items under the capital management of the Group is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Liabilities	<u>\$ 1,444,203</u>	<u>922,401</u>
Total equity	<u>\$ 1,606,762</u>	<u>1,375,847</u>
Debt-to-equity ratio	<u>89.88 %</u>	<u>67.04 %</u>

(aa) Investing and financing activities not affecting cash flows

Reconciliation of liabilities from financing activities for the years ended December 31, 2022 and 2021, were as follows:

	<u>January 1, 2022</u>	<u>Cash flows</u>	<u>Non-cash changes</u>				<u>Proceeds from disposal of subsidiarie</u>	<u>December 31, 2022</u>
			<u>Changes in lease payments</u>	<u>Foreign exchange movement</u>	<u>Interest expense</u>	<u>Other</u>		
Bonds Payable	\$ -	479,105	-	-	3,872	(91,418)	-	391,559
Long-term borrowings	190,000	-	-	-	-	-	-	190,000
Lease liabilities	69,332	(14,174)	17,568	998	-	-	(55,366)	18,358
Total liabilities from financing activities	<u>\$ 259,332</u>	<u>464,931</u>	<u>17,568</u>	<u>998</u>	<u>3,872</u>	<u>(91,418)</u>	<u>(55,366)</u>	<u>599,917</u>

	<u>January 1, 2022</u>	<u>Cash flows</u>	<u>Non-cash changes</u>				<u>Proceeds from disposal of subsidiarie</u>	<u>December 31, 2022</u>
			<u>Changes in lease payments</u>	<u>Foreign exchange movement</u>	<u>Interest expense</u>	<u>Other</u>		
Short-term borrowings	\$ -	40,000	-	-	-	-	(40,000)	-
Long-term borrowings	-	190,000	-	-	-	-	-	190,000
Lease liabilities	92,880	(18,723)	9,673	(776)	-	-	(13,722)	69,332
Total liabilities from financing activities	<u>\$ 92,880</u>	<u>211,277</u>	<u>9,673</u>	<u>(776)</u>	<u>-</u>	<u>-</u>	<u>(53,722)</u>	<u>259,332</u>

(Continued)

AUDEN TECHNO CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Only part of the investment activities paid with cash by the Group acquired the property, plant and equipment. The cash flow information is as follows:

	<u>2022</u>	<u>2021</u>
Property, plant and equipment purchases	\$ 115,877	386,438
Add: Payable on machinery and equipment at beginning of period	1,279	10,283
Less: Ending balance of payable on machinery and equipment	(21,526)	(1,279)
Cash payments	<u>\$ 95,630</u>	<u>395,442</u>

(7) Related-party transactions

(a) Parent Group and Ultimate Controlling Party

The Company is both the parent company and the ultimate controlling party of the Group.

(b) Names and relationship with related parties

The followings are related parties that have had transactions with the Group during the periods covered in the consolidated financial statements:

<u>Name of related party</u>	<u>Relationship with the Group</u>
Yaoke Investment Co., Ltd.	Same chairman with the Company
Chang, Yu-Pin	Chairman of the Company

(c) Significant transactions with related parties

The Group rented an office building from Yaoke Investment Co., Ltd. to be used as its headquarter in September 2021. A three year lease contract was signed with the contract price amounting to \$3,031 thousand, in which the rental fee is determined based on the nearby office rental rates. The recognized interest expense for the years ended December 31, 2022 and 2021 were amounted to \$29 thousand and \$8 thousand, respectively. As of December 31, 2022 and 2021, the balance of lease liabilities were \$2,237 thousand and \$2,987 thousand, respectively.

(d) Management personnel compensation

Key management personnel compensation comprised:

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 37,558	38,308
Share-based payment	3,935	17,544
Total	<u>\$ 41,493</u>	<u>55,852</u>

Please refer to note 6(s) for the details of share-based payment.

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AUDEN TECHNO CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(8) Pledged assets

The carrying amounts of pledged assets were as follows:

<u>Pledged assets</u>	<u>Pledged to secure</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other financial assets—current:			
Time deposits	Performance bond guarantee and letter	\$ 7,500	-
Time deposits and restricted account	Serves as deposit guarantee for bank to issue of notes to suppliers	37,969	44,374
Other non-current financial assets			
Time deposits	Guarantee fund of Customs Duty	1,100	1,126
Demand deposits	Convertible bonds	80,000	-
Property, plant and equipment			
Land and building	Short-term and long-term borrowings	325,858	327,120
		<u>\$ 452,427</u>	<u>372,620</u>

(9) Commitments and contingencies

(a) The aggregate unpaid amounts of contracts are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Property, plant and equipment	<u>\$ 9,475</u>	<u>16,769</u>

(b) The Group issued a performance bond guarantee by the bank for the business needs on December 31, 2022 and 2021. The guarantee amounts were \$23,996 thousand and \$9,555 thousand, respectively. The guarantee period outlined in guarantee letter is from March 24, 2022 to June 30, 2023 and August 12, 2021 to June 30, 2022, respectively.

(c) In order to fulfill its corporate social responsibility, the Group engages in cultural and educational welfares activities to give back to the community, the Board of Directors resolved to donate NT\$30 million on November 8, 2022 to set up the national charity, "Auden BingNan Education Foundation". Following up on the establishment of the foundation, the Chairman is fully authorized to deal with relevant matter, and as of December 31, 2022, preparations are still under way.

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AUDEN TECHNO CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(10) Losses due to major disasters: None

(11) Subsequent events

- (a) Pursuant to the resolution of the Board on May 11, 2022, the Company authorized the chairman or such person as he or she may designate to deal with all matters relating to the property construction in his or her absolute discretion within the amount of \$850,000 thousand. Then, a construction appointment contract is entered with a non-related party on March 7, 2023 for a total contract price of approximately \$724,500 thousand (including tax).
- (b) For earnings distribution in the year ended December 31, 2022, please refer to note 6(r) °

(12) Other

A summary of employee benefit expenses, depreciation, depletion and amortization by function, were as follows:

By function	Year ended December 31 2022			Year ended December 31 2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	85,105	306,606	391,711	90,052	245,474	335,526
Labor and health insurance	896	11,761	12,657	3,577	9,719	13,296
Pension	3,226	9,348	12,574	3,977	8,277	12,254
Others	6,211	25,850	32,061	6,684	24,699	31,383
Depreciation	43,716	30,305	74,021	52,819	26,043	78,862
Amortization	-	4,768	4,768	812	3,663	4,475

(Continued)

AUDEN TECHNO CORP.
Notes to Consolidated Interim Financial Statements

(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 in 2022:

- (i) Loans to other parties: None.
- (ii) Guarantees and endorsements for other parties: None.
- (iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures)

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance			Market value	Highest Percentage of ownership	Remarks
				Number of units	Book value	Holding percentage			
The Comapny	Stock: Ceradex Corporation	—	Noncurrent financial assets at fair value through other comprehensive income	636,130	12,417	8.20 %	12,417	636,130	
The Comapny	TMY TECHNOLOGY INC.	—	Noncurrent financial assets at fair value through other comprehensive income	800,000	7,176	2.24 %	7,176	800,000	
The Comapny	WHALETEQ CO., LTD	—	Noncurrent financial assets at fair value through other comprehensive income	452,800	28,703	9.60 %	28,703	452,800	
The Comapny	Dotspace, Inc.	—	Noncurrent financial assets at fair value through other comprehensive income	12,000,000	35,862	16.78 %	35,862	12,000,000	

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock

Name of company	Name of security	Account name	Counterparty	Relationship with the Company	Beginning Balance		Purchases		Sales			Ending Balance		
					Units	Amount	Units	Amount	Units	Price	Cost	Disposal gain	Units	Amount
AUDEN BVI	TA Technology(Shanghai)	Non-current assets or disposal groups classified as held for sale	EUROFINS PRODUCT TESTING LUXHOLDING S.A.R.L.	Non-related party	-	110,276	-	-	-	276,155 (note 1)	117,894	144,616 (note 2)	-	-
LUCKY	TA Technology(Shanghai)	Non-current assets or disposal groups classified as held for sale	EUROFINS PRODUCT TESTING LUXHOLDING S.A.R.L.	Non-related party	-	40,454	-	-	-	101,305 (note 1)	43,248	53,051 (note 2)	-	-

Note 1: The total disposal price was \$377,460 thousand net of direct expenses (RMB85,562 thousand).

Note 2: The total gain on disposal amounting to \$197,667 thousand comprise the related accumulated foreign exchange losses amounting to \$17,786 thousand and goodwill amounting to \$865 thousand.

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

(Continued)

AUDEN TECHNO CORP.
Notes to Consolidated Interim Financial Statements

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock

Name of company	Counter-party	Relationship (note 2)	Transaction details				Status and reason for deviation from arm's-length transaction		Account / note receivable (payable)		Remarks
			Purchase / (Sale)	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
The Comapny	Auden Communications & Multimedia Techno (Kunshan) Co., Ltd	Subsidiaries	Purchase	334,003	40.85 %	Note 1	-	Note 3	(101,550)	58.62 %	
The Comapny	Auden Techno Corp. (Shanghai)	Subsidiaries	Sales	171,372	12.66 %	Note 1	-	Note 3	36,436	16.07 %	

Note 1: There were no significant differences in the selling prices and trading terms between related parties and regular customers.

Note 2: The Comapny purchased the products from related party, and none of such products are purchased from the general manufacturer and therefore the purchase price of the products is not comparable. The payment terms of purchase transactions with related parties were not significantly different from those offered by other vendors.

Note 3: The intercompany transactions with the Comapny were eliminated in the consolidated financial statements

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock

Name of related party	Counter-party	Relationship	Balance of receivables from related party	Turnover rate	Overdue amount		Amounts received in subsequent period (note 1)	Allowances for bad debts
					Amount	Action taken		
Auden Communications & Multimedia Techno (Kunshan) Co., Ltd	The Comapny	Subsidiaries	101,550	3.09	-		39,141	-

Note 1: As of March 14, 2023

- (ix) Trading in derivative instruments: Please refer to note 6(n).
(x) Business relationships and significant intercompany transactions

No. (note 1)	Name of company	Name of counter-party	Nature of relationship (note 2)	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
0	The Comapny	Auray Technology Corp.	1	Other payables - related parties	44,237	For ordinary customer, payment is made approximately 90 days after the sales	1.46%
0	The Comapny	Auden Techno Corp. (Shanghai)	1	Sales revenue	171,372	For ordinary customer, payment is made approximately 90 days after the sales	9.97%
0	The Comapny	Auden Techno Corp. (Shanghai)	1	Accounts receivable due from related parties	36,436	For ordinary customer, payment is made approximately 90 days after the sales	1.20%
1	Auden Communications & Multimedia Techno (Kunshan) Co., Ltd	The Comapny	2	Sales revenue	334,003	For ordinary customer, payment is made approximately 90 days after the sales	19.44%
1	Auden Communications & Multimedia Techno (Kunshan) Co., Ltd	The Comapny	2	Accounts receivable due from related parties	101,550	For ordinary customer, payment is made approximately 90 days after the sales	3.35%

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AUDEN TECHNO CORP.

Notes to Consolidated Interim Financial Statements

Note 1: Numbers are filled in as follows:

- 1."0" represents the Company
- 2.The subsidiaries start with number 1.

Note 2: Relationship with the listed companies:

- 1.Transactions from parent company to subsidiary
- 2.Transactions from subsidiary to parent company
- 3.Transactions between subsidiaries

Note 3: The account in the balance sheet accounted for more than 1% of the consolidated total assets and accounts in profit or loss accounted for more than 1% of the consolidated total revenue in the are disclosed.

(b) Information on investees

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

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance		Book value (note 1 and 2)	Highest Percentage of ownership	Net income (loss) of investee (note 1)	Investment income (loss) (note 1)	Remarks
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership					
The Company	AUDEN BVI	The British Virgin Islands	Investment Holding (investee)	113,861 (USD3,399)	113,861 (USD3,399)	3,398,888	100.00 %	542,545	3,398,888	170,012	170,469	Note 3
The Company	LUCKY	(MAURITIUS)	Investment Holding (investee)	62,117 (USD1,998)	62,117 (USD1,998)	1,997,980	100.00 %	130,844	1,997,980	39,306	39,495	Note 3
The Company	Auray Technology Corp.	Taiwan	Tests of communication products	60,000	60,000	6,000,000	100.00 %	53,759	6,000,000	(3,731)	(3,719)	Note 4
The Company	Auden Intelligence Carbon Solution Co. Ltd.	Taiwan	Carbon reduction consultation and assistance improvements	10,000	-	1,000,000	100.00 %	9,846	1,000,000	(154)	(154)	

Note 1: The carrying amounts and investment profit are calculated based on the financial statements of the investee company auditor by the accountants for the same period.

Note 2: Transactions between the Company and each subsidiary of the consolidated entity, including the amount of business transaction, accounts receivable,accounts payable, carrying amount of long-term investments and investment profit recognized for the period, have been eliminated in the preparation of the consolidated financial statements.

Note 3: The difference between investment profit recognized for the period and current profit and loss of investee is arising from sidestream transactions.

Note 4: The difference between investment profit recognized for the period and current profit and loss of investee is effect of IFRS16.

(c) Information on investment in mainland China

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

Name of investee in Mainland China	Scope of business	Issued capital (note 4)	Method of investment (note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2022 (note 3)	Investment flow during current period		Cumulative investment (amount) from Taiwan as of December 31, 2022 (note 3)	Net income (losses) of the investee	Direct / indirect investment holding percentage	Highest Percentage of ownership	Investment income (losses) (note 2)	Book value (note 2)	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount							
Auden Communications & Multimedia Techno (Kunshan) Co., Ltd	Manufacture and sales of various types of antenna and other optical equipment and instruments	76,775 (USD2,500)	2	76,775 (USD2,500)	-	-	76,775 (USD2,500)	41,471	100.00 %	76,775 (USD2,500)	41,471	289,456	75,366
TA Technology (Shanghai)	Tests of communication products, information security and relevant consultation services	44,340 (USD10,059)	2	61,666 (USD2,008)	-	-	61,666 (USD2,008)	11,035	- %	61,666 (USD2,008)	8,223	-	-
Auden Techno Corp. (Shanghai)	Sales of instruments	46,065 (USD1,500)	2	46,065 (USD1,500)	-	-	46,065 (USD1,500)	(6,596)	100.00 %	46,065 (USD1,500)	(6,596)	70,397	-

Unit: in thousands of dollars

(Continued)

AUDEN TECHNO CORP.
Notes to Consolidated Interim Financial Statements

Note 1: Three types of investment method are as follows:

1. Direct investment in Mainland China.

2. Through investing in an existing company in the third area, which then invested in the investee in Mainland China. (AUDEN BVI and LUCKY)

3. Others

Note 2: The carrying amounts of investment as of December 31 and investment profit recognized by the Company are calculated based on the financial statements of the investee company auditor by the parent company's accountants for the same period.

Note 3: At the end of the period, the exchange rate of USD to NTD is 1:30.71 and the exchange rate of RMB to NTD is 1:4.408, except that the outward exchanges in current period were stated at the actual amount.

Note 4: The transactions were written-off in the consolidated financial statements.

Note 5: The Company disposed of the equity interest in December 2022.

(ii) Limitation on investment in Mainland China

Company Name	Accumulated investment amount in Mainland China as of 2022 (note 2)	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs (note 2)	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs (note 1)
Auden Techno Corp.	192,183 (USD 6,258) (note 3)	199,738 (USD 6,504) (note 3)	964,057 (note 1)

Note 1: The higher of 60% of net or the Group's net value.

Note 2: At the end of the period, the exchange rate of USD to NTD is presented as 1:30.71.

Note 3: Includes the investment amount of USD250 thousand of the liquidated CC&C (Chengdu).

(iii) Significant transactions

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

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AUDEN TECHNO CORP. AND SUBSIDIARIES
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(d) Major shareholders

Unit: share

Shareholder's Name	Shareholding	Shares	Percentage
Yaoke Investment Co., Ltd.		3,621,102	7.75 %
Yaohong Investment Co., Ltd.		2,601,000	5.56 %

(14) Segment information

(a) General information

The management of the Group has identified the reportable segment based on the reporting information used by the board of directors in decision makings. The operational decision makers of the Group evaluate business performances from a product-specific perspective. Revenue is mainly generated from three main categories: RFID antenna, measuring equipment and test and certification. The Group provides operations results of each consolidated financial statements to the key decision makers for review and for the purpose of evaluating the performance of such product.

The Group's operating segment information and the reconciliations were as follows:

	2022					Total
	Antenna	Measureme nt equipment	Testing and certification services	Others	Reconciliati on and eliminations	
Revenue:						
Revenue from external customers	\$ 794,587	717,204	206,248	-	-	1,718,039
Intersegment revenues	-	673	-	-	(673)	-
Total revenue	<u>\$ 794,587</u>	<u>717,877</u>	<u>206,248</u>	<u>-</u>	<u>(673)</u>	<u>1,718,039</u>
Depreciation and amortization	<u>\$ 34,951</u>	<u>6,048</u>	<u>37,789</u>	<u>1</u>	<u>-</u>	<u>78,789</u>
Depreciation and amortization	<u>\$ 119,398</u>	<u>282,653</u>	<u>1,752</u>	<u>(1,806)</u>	<u>-</u>	<u>401,997</u>
	2021					
	Antenna	Measureme nt equipment	Testing and certification services	Others	Reconciliati on and eliminations	Total
Revenue:						
Revenue from external customers	\$ 531,071	586,621	315,134	-	-	1,432,826
Intersegment revenues	-	18,046	-	-	(18,046)	-
Total revenue	<u>\$ 531,071</u>	<u>604,667</u>	<u>315,134</u>	<u>-</u>	<u>(18,046)</u>	<u>1,432,826</u>
Depreciation and amortization	<u>\$ 22,111</u>	<u>11,527</u>	<u>49,697</u>	<u>2</u>	<u>-</u>	<u>83,337</u>
Depreciation and amortization	<u>\$ 68,868</u>	<u>106,160</u>	<u>134,027</u>	<u>6,608</u>	<u>-</u>	<u>315,663</u>

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AUDEN TECHNO CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Segmental assets and segmental liabilities are not indicators for reviewing operational results by key decision makers of the Group and therefore the items were not disclosed.

(b) Products and services information

The segmental information of the Group is divided into reporting departments based on different products and services, and the revenue from external customers is disclosed in it, so no additional product and service information is disclosed.

(c) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

Revenue from the external customers:

<u>Geographical information</u>	<u>2022</u>	<u>2021</u>
Taiwan	\$ 245,280	312,991
Mainland China	1,445,252	1,083,354
Other countries	<u>27,507</u>	<u>36,481</u>
Total	<u>\$ 1,718,039</u>	<u>1,432,826</u>

Non-current assets:

<u>Geographical information</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Taiwan	\$ 488,100	418,006
Mainland China	<u>44,622</u>	<u>235,908</u>
Total	<u>\$ 532,722</u>	<u>653,914</u>

Non-current assets include property, plant and equipment, right-of-use assets, investment property, intangible assets and other non-current assets, excluding financial instruments, deferred tax assets, pension fund assets, and rights arising from an insurance contract (non-current).

(d) Major customers

The details of sales revenue from external customers accounted more than 10% of the amount of consolidated statement of comprehensive income are as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Company A	<u>\$ 246,512</u>	<u>14</u>	<u>143,806</u>	<u>10</u>