

**ARCADYAN TECHNOLOGY CORPORATION AND
SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019**

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

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Representation Letter

The entities that are required to be included in the combined financial statements of ARCADYAN TECHNOLOGY CORPORATION as of and for the year ended December 31, 2020 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, “Consolidated Financial Statements” endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, ARCADYAN TECHNOLOGY CORPORATION and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: ARCADYAN TECHNOLOGY CORPORATION
Chairman: Jui-Tsung Chen (Ray Chen)
Date: March 17, 2021



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 Arcadyan Technology Corporation:

Opinion

We have audited the consolidated financial statements of Arcadyan Technology Corporation and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended December 31, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Arcadyan Technology Corporation and its subsidiaries as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended December 31, 2020 and 2019, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

1. Inventory valuation

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

Description of key audit matters:

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

How the matter was addressed in our audit:

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

2. Provisions

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

Description of key audit matters:

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

How the matter was addressed in our audit:

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

Other Matter

Arcadyan Technology Corporation has prepared its parent-company-only financial statements as of and for the years ended December 31, 2020 and 2019, on which we have issued an unqualified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 17, 2021

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' audit 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' audit report and consolidated financial statements, the Chinese version shall prevail.

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

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

		2020		2019	
		Amount	%	Amount	%
4000	Operating revenues (notes (6)(u)and(7)):	\$ 33,765,295	100	32,897,900	100
5000	Operating costs (notes (6)(f), (6)(p), (7) and (12))	<u>28,711,844</u>	<u>85</u>	<u>28,545,525</u>	<u>87</u>
	Gross profit from operating	<u>5,053,451</u>	<u>15</u>	<u>4,352,375</u>	<u>13</u>
	Operating expenses (notes (6)(p), (7) and (12)):				
6100	Selling expenses	508,753	1	689,498	2
6200	Administrative expenses	536,370	2	481,732	2
6300	Research and development expenses	<u>1,724,851</u>	<u>5</u>	<u>1,453,633</u>	<u>4</u>
	Total operating expenses	<u>2,769,974</u>	<u>8</u>	<u>2,624,863</u>	<u>8</u>
	Net operating income	<u>2,283,477</u>	<u>7</u>	<u>1,727,512</u>	<u>5</u>
	Non-operating income and expenses:				
7100	Interest income	45,614	-	70,899	-
7190	Other income	46,590	-	29,990	-
7225	Gains on disposals of investments	985	-	-	-
7230	Foreign exchange gains(losses), net (note (6)(w))	(15,509)	-	(181,263)	-
7235	Gains on financial assets (liabilities) at fair value through profit or loss (notes (6)(b) and (d))	14,052	-	110,075	-
7370	Share of profit of associates and joint ventures accounted for using equity method (note (6)(g))	9,551	-	2,172	-
7510	Interest expense (notes (6)(m) and (n))	<u>(46,410)</u>	<u>-</u>	<u>(56,561)</u>	<u>-</u>
		<u>54,873</u>	<u>-</u>	<u>(24,688)</u>	<u>-</u>
	Profit from continuing operations before tax	2,338,350	7	1,702,824	5
7950	Less: Income tax expenses (note (6)(q))	<u>707,745</u>	<u>2</u>	<u>345,838</u>	<u>1</u>
	Profit	<u>1,630,605</u>	<u>5</u>	<u>1,356,986</u>	<u>4</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans (note (6)(p))	(6,214)	-	(8,141)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(18,365)	-	-	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(q))	<u>(1,243)</u>	<u>-</u>	<u>(1,628)</u>	<u>-</u>
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>(23,336)</u>	<u>-</u>	<u>(6,513)</u>	<u>-</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(96,171)	-	(52,772)	-
8368	Gains (losses) on hedging instrument (note (6)(d))	2,679	-	(4,871)	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss (note (6)(g))	82	-	(101)	-
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note (6)(q))	<u>(18,827)</u>	<u>-</u>	<u>(10,554)</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(74,583)</u>	<u>-</u>	<u>(47,190)</u>	<u>-</u>
8300	Other comprehensive income	<u>(97,919)</u>	<u>-</u>	<u>(53,703)</u>	<u>-</u>
	Total comprehensive income	<u>\$ 1,532,686</u>	<u>5</u>	<u>1,303,283</u>	<u>4</u>
	Profit, attributable to:				
	Owners of parent	\$ 1,713,942	5	1,313,498	4
	Non-controlling interests	<u>(83,337)</u>	<u>-</u>	<u>43,488</u>	<u>-</u>
		<u>\$ 1,630,605</u>	<u>5</u>	<u>1,356,986</u>	<u>4</u>
	Comprehensive income attributable to:				
	Owners of parent	\$ 1,612,095	5	1,260,626	4
	Non-controlling interests	<u>(79,409)</u>	<u>-</u>	<u>42,657</u>	<u>-</u>
		<u>\$ 1,532,686</u>	<u>5</u>	<u>1,303,283</u>	<u>4</u>
	Earnings per share (note (6)(t))				
9750	Basic earnings per share	<u>\$ 8.36</u>		<u>6.85</u>	
9850	Diluted earnings per share	<u>\$ 7.77</u>		<u>6.51</u>	

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Equity
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent						Total other equity interest						Non-controlling interests	Total equity
	Retained earnings					Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Unearned employee benefit and others	Total other equity interest	Total equity attributable to owners of parent		
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings									
Balance at January 1, 2019	\$ 1,936,190	2,794,174	763,392	79,288	3,766,400	4,609,080	(53,684)	-	-	(219,616)	(273,300)	9,066,144	407,654	9,473,798
Profit for the year ended December 31, 2019	-	-	-	-	1,313,498	1,313,498	-	-	-	-	-	1,313,498	43,488	1,356,986
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	(6,513)	(6,513)	(41,488)	-	(4,871)	-	(46,359)	(52,872)	(831)	(53,703)
Comprehensive income for the year ended December 31, 2019	-	-	-	-	1,306,985	1,306,985	(41,488)	-	(4,871)	-	(46,359)	1,260,626	42,657	1,303,283
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	87,152	-	(87,152)	-	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(25,604)	25,604	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	(96,778)	-	-	(580,665)	(580,665)	-	-	-	-	-	(677,443)	-	(677,443)
Capital increase by cash	150,000	930,000	-	-	-	-	-	-	-	-	-	1,080,000	-	1,080,000
Issuance of convertible bonds	-	48,667	-	-	-	-	-	-	-	-	-	48,667	-	48,667
Changes in equity of associates and subsidiaries accounted for using equity method	-	13	-	-	-	-	-	-	-	-	-	13	-	13
Share-based payments transactions	(840)	27,840	-	-	-	-	-	-	99,719	99,719	126,719	-	-	126,719
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(14,103)	(14,103)
Balance at December 31, 2019	2,085,350	3,703,916	850,544	53,684	4,431,172	5,335,400	(95,172)	-	(4,871)	(119,897)	(219,940)	10,904,726	436,208	11,340,934
Profit for the year ended December 31, 2020	-	-	-	-	1,713,942	1,713,942	-	-	-	-	-	1,713,942	(83,337)	1,630,605
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	(4,971)	(4,971)	(81,190)	(18,365)	2,679	-	(96,876)	(101,847)	3,928	(97,919)
Comprehensive income for the year ended December 31, 2020	-	-	-	-	1,708,971	1,708,971	(81,190)	(18,365)	2,679	-	(96,876)	1,612,095	(79,409)	1,532,686
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	131,350	-	(131,350)	-	-	-	-	-	-	-	-	-
Special reserve reversed	-	-	-	41,488	(41,488)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(938,174)	(938,174)	-	-	-	-	-	(938,174)	-	(938,174)
Cash dividends from capital surplus	-	(41,696)	-	-	-	-	-	-	-	-	-	(41,696)	-	(41,696)
Changes in equity of associates and subsidiaries accounted for using equity method	-	(150)	-	-	-	-	-	-	-	-	-	(150)	-	(150)
Disposal of subsidiaries or investments accounted for using equity method	-	(985)	-	-	-	-	-	-	-	-	-	(985)	-	(985)
Share-based payment transactions	(1,255)	509	-	-	-	-	-	-	74,291	74,291	73,545	-	-	73,545
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(4,164)	(4,164)
Balance at December 31, 2020	\$ 2,084,095	3,661,594	981,894	95,172	5,029,131	6,106,197	(176,362)	(18,365)	(2,192)	(45,606)	(242,525)	11,609,361	352,635	11,961,996

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 2,338,350	1,702,824
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	485,447	393,265
Amortization expense	32,532	34,853
Expected credit gain	(13,504)	(7,442)
Interest expense	46,410	56,561
Interest income	(45,614)	(70,899)
Increase in financial assets or liabilities at fair value through profit or loss	1,422	1,383
Share-based payments transactions	72,575	125,393
Share of profit of associates and joint ventures accounted for using equity method	(9,551)	(2,172)
Gain on disposal of property, plant and equipment	(13,320)	(10,870)
Gain on disposal of investments accounted for using equity method	(985)	-
Others	4,523	-
Total adjustments to reconcile profit (loss)	<u>559,935</u>	<u>520,072</u>
Changes in operating assets and liabilities:		
Increase in financial assets or liabilities mandatorily measured at fair value through profit or loss	(208,285)	(2,951)
Increase in notes and accounts receivable	(792,423)	(283,793)
Decrease (increase) in other receivable (including related parties)	47,275	(130,088)
Increase in inventories	(214,872)	(1,410,829)
Decrease in prepayments	17,317	64,032
Decrease (increase) in other current assets	15,768	(39,567)
Increase in accounts payable (including related parties)	2,111,744	976,571
Increase in other payable (including related parties) and other current liabilities	186,393	1,290,808
Increase in other operating liabilities	4,208	6,346
Total changes in operating assets and liabilities	<u>1,167,125</u>	<u>470,529</u>
Total adjustments	<u>1,727,060</u>	<u>990,601</u>
Cash inflow generated from operations	4,065,410	2,693,425
Interest received	46,402	75,707
Dividends received	19,142	24,611
Interest paid	(34,219)	(54,699)
Income taxes paid	(744,527)	(242,219)
Net cash flows from operating activities	<u>3,352,208</u>	<u>2,496,825</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	-	(49,500)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	25,478
Acquisition of property, plant and equipment	(537,277)	(714,378)
Proceeds from disposal of property, plant and equipment	17,072	18,506
Decrease (increase) in refundable deposits	(5,716)	22,013
Acquisition of intangible assets	(40,970)	(40,704)
Acquisition of right-of-use assets	(317,807)	-
Decrease (increase) in other non-current assets	75	(99,201)
Net cash flows used in investing activities	<u>(884,623)</u>	<u>(837,786)</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	188,757	(1,300,877)
Issuance of convertible bonds	-	1,007,240
Repayment of lease principal	(180,116)	(93,366)
Cash dividends paid	(979,876)	(677,441)
Proceeds from issuing shares	-	1,080,000
Change in non-controlling interests	(3,194)	(12,777)
Other financing activities	381	-
Net cash flows from (used in) financing activities	<u>(974,048)</u>	<u>2,779</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(21,328)</u>	<u>(30,312)</u>
Net increase in cash and cash equivalents	1,472,209	1,631,506
Cash and cash equivalents at beginning of period	<u>7,607,559</u>	<u>5,976,053</u>
Cash and cash equivalents at end of period	<u>\$ 9,079,768</u>	<u>7,607,559</u>

See accompanying notes to consolidated financial statements.

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

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

The consolidated financial statements of the Company as of and for the year ended December 31, 2020 comprise the Company and its subsidiaries (together referred to as the “Group”). The Company is primarily engaged in the research, development, manufacture and sale of wireless networking products, integrated access devices, digital home multimedia devices and mobile broadband products. Please refer to note (4) (c) for related information of the Group primarily business activities.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 17, 2021.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) 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, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

- (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, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.</p> <p>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p>	January 1, 2023

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

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

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

(4) Summary of significant accounting policies:

- (a) Statement of compliance

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currencies

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

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

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

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

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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(ii) List of subsidiaries in the consolidated financial statements

<u>Investor</u>	<u>Name of Subsidiary</u>	<u>Nature of operation</u>	<u>Percentage ownership</u>		<u>Description</u>
			<u>December 31, 2020</u>	<u>December 31, 2019</u>	
The Company	Arcadyan Technology N.A. Corp. (“Arcadyan USA”)	Selling of wireless networking products	100 %	100 %	
”	Arcadyan Germany Technology GmbH (“Arcadyan Germany”)	Selling and technical support of wireless networking products	100 %	100 %	
”	Arcadyan Technology Corporation Korea (“Arcadyan Korea”)	Selling of wireless networking products	100 %	100 %	
”	Arcadyan Holding (BVI) Corp. (“Arcadyan Holding”)	Investment activities	100 %	100 %	
The Company and ZHI-BAO	Arcadyan do Brasil Ltda. (“Arcadyan Brasil”)	Selling of wireless networking products	100 %	100 %	
The Company	ZHI-BAO Technology Inc. (“ZHI-BAO”)	Investment activities	100 %	100 %	
”	Tatung Technology Inc. (“TTI”)	Research and development, and selling digital home appliance	61 %	61 %	
”	AcBel Telecom Inc. (“AcBel Telecom”)	Investment activities	51 %	51 %	
”	Arcadyan Technology Limited (“Arcadyan UK”)	Technical support of wireless networking products	100 %	100 %	
”	Arcadyan Technology Australia Pty Ltd (“Arcadyan AU”)	Selling of wireless networking products	100 %	100 %	
”	Arcadyan Technology Corporation (Russia), LLC. (“Arcadyan RU”)	Selling of wireless networking products	100 %	- %	Note 1
Arcadyan Holding	Sinoprime Global Inc. (“Sinoprime”)	Investment activities	100 %	100 %	
”	Arcadyan Technology (Shanghai) Corp. (“SVA”)	Research and sale of wireless networking products	100 %	100 %	
”	Arch Holding (BVI) Corp. (“Arch Holding”)	Investment activities	100 %	100 %	
Arch Holding	Compal Networking (Kunshan) Co., Ltd. (“CNC”)	Manufacturing of wireless networking products	100 %	100 %	

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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<u>Investor</u>	<u>Name of Subsidiary</u>	<u>Nature of operation</u>	<u>Percentage ownership</u>		<u>Description</u>
			<u>December 31, 2020</u>	<u>December 31, 2019</u>	
Sinoprime	Arcadyan Technology (Vietnam) Co., Ltd. ("Arcadyan Vietnam")	Manufacturing of wireless networking products	100 %	100 %	
TTI	Quest International Group Co., Ltd. ("Quest")	Investment activities	100 %	100 %	
TTI	Tatung Technology of Japan Co., Ltd. ("TTJC")	Selling digital home appliance	100 %	100 %	
Quest	Exquisite Electronic Co., Ltd. ("Exquisite")	Investment activities	100 %	100 %	
Exquisite	Tatung Home Appliances (Wujiang) Co., Ltd. ("TCH")	Manufacturing of household electronics products	100 %	100 %	
AcBel Telecom	Leading Images Ltd. ("Leading Images")	Investment activities	- %	100 %	Note 2
Leading Images	Astoria Networks GmbH ("Astoria GmbH")	Selling of wireless networking products	- %	100 %	Note 3

Note 1: The subsidiary was incorporated on June 2, 2020.

Note 2: The liquidation procedures had been completed on December 7, 2020.

Note 3: The liquidation procedures had been completed on October 14, 2020.

(d) Foreign currencies

(i) Foreign currency transactions

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

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

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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(ii) Foreign operations

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

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

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

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

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

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

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

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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(f) Cash and cash equivalents

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

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

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

(i) Financial assets

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

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

4) Impairment of financial assets

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5) Derecognition of financial assets

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

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

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(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Financial liabilities

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

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

4) Derecognition of financial liabilities

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

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

5) Offsetting of financial assets and liabilities

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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(iii) Derivative financial instruments and hedge accounting

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

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

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

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

1) Cash flow hedges

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

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

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted-average-cost principle and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

(i) Investment in associates

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

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

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

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

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

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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(ii) Subsequent cost

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

(iii) Depreciation

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

Land is not depreciated.

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

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

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

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

(k) Lease

(i) Identifying a lease

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

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
- the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(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 impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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

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

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

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

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

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

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

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

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

- (i) the rent concessions occurring as a direct consequence of the covid-19 pandemic;
- (ii) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (iii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (iv) there is no substantive change to other terms and conditions of the lease.

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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(l) Intangible assets

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

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

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

(m) Impairment – non- financial assets

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

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

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

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

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

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

(n) Provisions

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

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

(o) Revenue from contracts with customers

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

(i) Sale of goods

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

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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(ii) Financing components

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

(p) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(iii) Short term employee benefits

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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(q) Share-based payment

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

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

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

(r) Income Taxes

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

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

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

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

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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Deferred tax assets and liabilities are offset if the following criteria are met:

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

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

(s) Business combination

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

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

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

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

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

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

(t) Earnings per share

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

(u) Operating segments

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

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

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

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

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

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

(a) Inventory valuation

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

(b) Recognition and measurement of provisions

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

(6) Explanation of significant accounts:

(a) Cash and cash Equivalents

	December 31, 2020	December 31, 2019
Cash on hand	\$ 2,196	2,551
Checking accounts and demand deposits	3,302,965	3,634,850
Time deposits	<u>5,774,607</u>	<u>3,970,158</u>
	<u>\$ 9,079,768</u>	<u>7,607,559</u>

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

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

(i) Details are as follows:

	December 31, 2020	December 31, 2019
Current financial assets mandatorily measured at fair value through profit or loss:		
Derivative instruments not used for hedging		
Foreign exchange swaps contracts	\$ 11,069	15,455
Non-derivative financial assets:		
Structured deposits	<u>261,674</u>	<u>-</u>
Total	<u>\$ 272,743</u>	<u>15,455</u>

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	December 31, 2020	December 31, 2019
Non-current financial assets mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets:		
Fund unlisted on domestic markets	\$ <u>42,840</u>	<u>44,262</u>
Held-for-trading financial liabilities:		
Derivative instruments not used for hedging:		
Foreign exchange forward contracts	\$ 48,665	5,414
Foreign exchange swaps contracts	<u>5,752</u>	<u>-</u>
Total	<u>\$ 54,417</u>	<u>5,414</u>

(ii) Derivative financial instruments not designated as hedging instruments:

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

	December 31, 2020		
	Contract amount (in thousands)	Currency	Maturity date
Derivative financial assets:			
Swap contracts:			
Foreign exchange swaps	USD 37,000	B/S USD / TWD	January 13, 2021~ February 26, 2021
Derivative financial liabilities:			
Forward contracts:			
Foreign exchange forward	EUR 41,000	Sell EUR / USD	January 13, 2021~ April 14, 2021
Foreign exchange forward	USD 800	Buy USD / BRL	August 26, 2021
Swap contracts:			
Foreign exchange swaps	USD 45,500	B/S USD / TWD	March 12, 2021~ April 29, 2021

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December 31, 2019			
	Contract amount (in thousands)	Currency	Maturity date
Derivative financial assets:			
Swap contracts:			
Foreign exchange swaps	USD 55,000	B/S USD / TWD	January 13, 2020~ March 30, 2020
Derivative financial liabilities:			
Forward contracts:			
Foreign exchange forward	EUR 17,000	Sell EUR / USD	January 14, 2020~ March 13, 2020
Foreign exchange forward	USD 1,000	Buy EUR / BRL	September 23, 2020

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

As of December 31, 2020 and 2019, the Group did not provide any aforementioned financial assets as collaterals for its loans.

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

	December 31, 2020	December 31, 2019
Equity investments at fair value through other comprehensive income:		
Stock unlisted on domestic markets	<u>\$ 31,135</u>	<u>49,500</u>

- (i) The Group acquired 1,650 thousand shares of CHIMEI MOTOR ELECTRONICS CO., LTD. for \$49,500 in cash in July 2019. The Group's investment equity instruments are long-term strategic investments not held-for-trading purpose. The Group designated as equity investment at fair value through other comprehensive income. For the year ended December 31, 2020, the above-mentioned equity was measured at fair value and recognized an unrealized loss \$18,365 under other comprehensive income.
- (ii) The Company did not dispose any strategic investments in 2020 and 2019, and accumulated gain and loss were not transferred in equity during the period.
- (iii) For market risk information, please refer to note (6)(w).
- (iv) As of December 31, 2020 and 2019, the Group did not provide any aforementioned financial assets as collaterals for its loans.

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(d) Derivative financial instruments used for hedging

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

	December 31, 2020	December 31, 2019
Cash flow hedge:		
Financial assets used for hedging:		
Foreign exchange forward contracts	\$ -	61
Financial liabilities used for hedging:		
Foreign exchange forward contracts	\$ 2,192	4,932

(ii) Cash flow hedge—foreign exchange risk

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

As of December 31, 2020 and 2019, the amounts relating to the items designated as hedging instruments were as follows:

		December 31, 2020			
		Contract amount (in thousands)	Currency	Maturity period	Average strike price
Derivative financial liabilities					
used for hedging					
Foreign exchange forward					
contracts:					
Foreign exchange forward	EUR	6,000	Sell EUR / USD	April 29, 2021~ June 29, 2021	1.1292
		December 31, 2019			
		Contract amount (in thousands)	Currency	Maturity period	Average strike price
Derivative financial assets used					
for hedging					
Foreign exchange forward					
contracts:					
Foreign exchange forward	EUR	6,000	Sell EUR / USD	February 14, 2020~ June 29, 2020	1.1278
Derivative financial liabilities					
used for hedging					
Foreign exchange forward					
contracts:					
Foreign exchange forward	EUR	39,000	Sell EUR / USD	January 31, 2020~ December 29, 2020	1.1327
Foreign exchange forward	USD	3,589	Buy USD / MXN	February 26, 2020~ March 30, 2020	19.507

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(iii) Adjustments on reclassification from other comprehensive income

As of December 31, 2020 and 2019, the details of adjustments on reclassification from other comprehensive income were as follows:

	<u>2020</u>	<u>2019</u>
Cash flow hedge		
Profit (loss) in current year	\$ (12,483)	(26,649)
Less: Net income (loss) of adjustments on reclassification from other comprehensive income which belongs to net income (loss)	<u>(15,162)</u>	<u>(21,778)</u>
Profit (loss) recognized in other comprehensive income (loss)	<u>\$ 2,679</u>	<u>(4,871)</u>

(iv) For the years ended December 31, 2020 and 2019, the ineffective portion of cash flow hedge recognized in (loss) gain amounted of \$67 and \$(5,934), respectively, recorded under the “Gains (losses) on financial assets (liabilities) at fair value through profit or loss”.

(v) For the years ended December 31, 2020 and 2019, gain or loss of adjustments from reclassification of other equity, deriving from the changes of fair-value for hedge instruments, were recognized under operating revenues in comprehensive income statement.

(e) Notes and accounts receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Notes receivable from operating activities	\$ 35,210	23,550
Accounts receivable – measured at amortized cost	6,805,430	5,286,045
Accounts receivable – fair value through other comprehensive income	<u>98,655</u>	<u>837,277</u>
	6,939,295	6,146,872
Less: allowance for uncollectible accounts	<u>(26,831)</u>	<u>(40,275)</u>
	<u>\$ 6,912,464</u>	<u>6,106,597</u>

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

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The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking macroeconomic information. The expected credit losses as of December 31, 2020 and 2019 were determined as follows:

Credit rating	December 31, 2020			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision	Credit impaired
Level A	\$ 2,705,044	0%	-	No
Level B	3,772,573	0.10%	3,814	No
Level C	443,092	1.00%	4,431	No
Level D	-	-	-	-
Level E	18,586	100%	18,586	Yes
Total	<u>\$ 6,939,295</u>		<u>26,831</u>	

Credit rating	December 31, 2019			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision	Credit impaired
Level A	\$ 2,620,806	0%	-	No
Level B	2,713,406	0.10%	2,789	No
Level C	783,004	1.00%	7,830	No
Level D~E	-	-	-	-
Level F	29,656	100%	29,656	Yes
Total	<u>\$ 6,146,872</u>		<u>40,275</u>	

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

	December 31, 2020	December 31, 2019
Overdue 1~30 days	\$ 402,324	676,152
Overdue 31~60 days	97,957	35,638
Overdue 61~90 days	4,221	19,408
Overdue 91~180 days	97,954	1,880
Overdue over 181 days	122,850	29,941
	<u>\$ 725,306</u>	<u>763,019</u>

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

	<u>2020</u>	<u>2019</u>
Balance at January 1	\$ 40,275	46,317
Impairment loss reversed	(13,444)	(6,042)
Balance at December 31	<u>\$ 26,831</u>	<u>40,275</u>

As of December 31, 2020 and 2019, the Group did not provide any aforementioned notes and accounts receivable as collaterals for its loans.

The Group entered into accounts receivable factoring agreements with several banks. Based on the agreements, the Group is not responsible for guaranteeing the ability of the account receivable of the obligor to make payment when it is affected by credit risk. Thus, this is deemed as a non-recourse accounts receivable factoring. After the transfer of the accounts receivable, the Group can request for the partial proceeds, while the interest calculated at an agreed rate is paid to the bank until the account receivable is paid. The remaining amounts are received when the accounts receivable are paid by the customers. As of December 31, 2019 there was no unreceived balance of discounted accounts receivable.

As of December 31, 2020 there was an unreceived balance of discounted accounts receivable \$42,550. The details of the factored account receivables were as follows:

<u>Purchaser</u>	<u>Accounts receivable factored (gross)</u>	<u>December 31, 2020</u>					
		<u>Amount Advanced</u>		<u>Amount Recognized in other receivables</u>	<u>Collateral</u>	<u>Amount derecognized</u>	<u>Interest rate</u>
		<u>Unpaid</u>	<u>Paid</u>				
Financial institutions	\$ <u>410,175</u>	<u>-</u>	<u>367,625</u>	<u>42,550</u>	None	<u>410,175</u>	0.64%~0.69%

(f) Inventories

(i) A summary of the Group's financial information for inventories at the reporting date were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Raw materials	\$ 3,620,329	3,061,548
Work in progress	467,329	451,515
Finished goods	<u>3,938,938</u>	<u>4,298,661</u>
	<u>\$ 8,026,596</u>	<u>7,811,724</u>

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- (ii) Inventory cost recognized as cost of sales for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Cost of sales	\$ 28,445,306	28,368,346
Provision for inventory valuation and obsolescence loss	<u>266,538</u>	<u>177,179</u>
	<u>\$ 28,711,844</u>	<u>28,545,525</u>

- (iii) As of December 31, 2020 and 2019, the Group did not provide any inventories as collaterals for its loans.

- (g) Investments accounted for using equity method

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Associates	<u>\$ 338,590</u>	<u>348,250</u>

- (i) The Group's equity-accounted investment in all individually immaterial associates and the Group's share of the operating results are summarized below:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Carrying amount of the Group's interests in all individually immaterial associates' equity	<u>\$ 338,590</u>	<u>348,250</u>

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

	<u>2020</u>	<u>2019</u>
Attributed to the Group:		
Profit from continuing operations	\$ 9,551	2,172
Other comprehensive income (loss)	<u>82</u>	<u>(101)</u>
Total comprehensive income	<u>\$ 9,633</u>	<u>2,071</u>

- (ii) As of December 31, 2020 and 2019, the Group did not provide any investment accounted for using equity method as collaterals for its loans.

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(h) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group for the years ended December 31, 2020 and 2019 were as follows:

	Land	Buildings and construction	Machinery and equipment	Research and development equipment	Mold equipment	Leasehold improvement and other equipment	Under construction and prepayment for purchase of equipment	Total
Cost or deemed cost:								
Balance at January 1, 2020	\$ 463,262	828,128	2,265,052	500,399	250,837	429,543	41,873	4,779,094
Additions	-	-	172,132	81,755	21,654	337,226	24,730	637,497
Reclassifications	-	-	4,542	16,475	-	2,506	(37,851)	(14,328)
Disposals and derecognitions	-	-	(142,165)	(9,057)	(59,521)	(26,438)	-	(237,181)
Effect of movements in exchange rates	-	-	(102,951)	(2,501)	(532)	(19,501)	(503)	(125,988)
Balance at December 31, 2020	<u>\$ 463,262</u>	<u>828,128</u>	<u>2,196,610</u>	<u>587,071</u>	<u>212,438</u>	<u>723,336</u>	<u>28,249</u>	<u>5,039,094</u>
Balance at January 1, 2019	\$ 463,262	828,128	1,859,237	409,090	236,904	391,088	16,089	4,203,798
Additions	-	-	514,004	92,507	26,992	47,555	45,182	726,240
Reclassifications	-	-	(39)	4,961	-	(129)	(11,414)	(6,621)
Disposals and derecognitions	-	-	(56,339)	(4,775)	(12,751)	(4,626)	-	(78,491)
Effect of movements in exchange rates	-	-	(51,811)	(1,384)	(308)	(4,345)	(7,984)	(65,832)
Balance at December 31, 2019	<u>\$ 463,262</u>	<u>828,128</u>	<u>2,265,052</u>	<u>500,399</u>	<u>250,837</u>	<u>429,543</u>	<u>41,873</u>	<u>4,779,094</u>
Depreciation:								
Balance at January 1, 2020	\$ -	81,608	1,567,053	340,118	219,941	257,796	-	2,466,516
Depreciation	-	17,068	204,887	51,376	16,292	74,102	-	363,725
Reclassifications	-	-	-	-	-	15	-	15
Disposals and derecognitions	-	-	(141,432)	(7,051)	(59,492)	(25,454)	-	(233,429)
Effect of movements in exchange rates	-	-	(68,176)	(664)	(111)	(6,791)	-	(75,742)
Balance at December 31, 2020	<u>\$ -</u>	<u>98,676</u>	<u>1,562,332</u>	<u>383,779</u>	<u>176,630</u>	<u>299,668</u>	<u>-</u>	<u>2,521,085</u>
Balance at January 1, 2019	\$ -	64,540	1,485,982	304,391	208,524	226,805	-	2,290,242
Depreciation	-	17,068	169,318	40,505	18,769	38,605	-	284,265
Reclassifications	-	-	(26)	-	-	(98)	-	(124)
Disposals and derecognitions	-	-	(54,899)	(4,012)	(7,326)	(4,618)	-	(70,855)
Effect of movements in exchange rates	-	-	(33,322)	(766)	(26)	(2,898)	-	(37,012)
Balance at December 31, 2019	<u>\$ -</u>	<u>81,608</u>	<u>1,567,053</u>	<u>340,118</u>	<u>219,941</u>	<u>257,796</u>	<u>-</u>	<u>2,466,516</u>
Carrying amounts:								
Balance at December 31, 2020	<u>\$ 463,262</u>	<u>729,452</u>	<u>634,278</u>	<u>203,292</u>	<u>35,808</u>	<u>423,668</u>	<u>28,249</u>	<u>2,518,009</u>
Balance at January 1, 2019	<u>\$ 463,262</u>	<u>763,588</u>	<u>373,255</u>	<u>104,699</u>	<u>28,380</u>	<u>164,283</u>	<u>16,089</u>	<u>1,913,556</u>
Balance at December 31, 2019	<u>\$ 463,262</u>	<u>746,520</u>	<u>697,999</u>	<u>160,281</u>	<u>30,896</u>	<u>171,747</u>	<u>41,873</u>	<u>2,312,578</u>

As of December 31, 2020 and 2019, the Group did not provide any property, plant and equipment as collaterals for its loan.

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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(i) Right-of-use assets

The Group leases land, buildings, machinery and vehicles and recognizes as right-of-use assets.

The cost and depreciation of the right-of-use assets of the Group for the years ended December 31, 2020 and 2019 were as follow:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Vehicles and Other</u>	<u>Total</u>
Cost or deemed cost:					
Balance at January 1, 2020	\$ -	157,553	81,081	16,264	254,898
Additions	317,808	396,778	-	2,997	717,583
Disposals	-	(115,902)	-	(8,516)	(124,418)
Effect of movements in exchange rates	(11,497)	(14,597)	-	(97)	(26,191)
Balance at December 31, 2020	<u>\$ 306,311</u>	<u>423,832</u>	<u>81,081</u>	<u>10,648</u>	<u>821,872</u>
Balance at January 1, 2019	\$ -	146,119	-	8,653	154,772
Additions	-	14,385	81,081	7,651	103,117
Effect of movements in exchange rates	-	(2,951)	-	(40)	(2,991)
Balance at December 31, 2019	<u>\$ -</u>	<u>157,553</u>	<u>81,081</u>	<u>16,264</u>	<u>254,898</u>
Depreciation:					
Balance at January 1, 2020	\$ -	89,764	9,459	7,865	107,088
Depreciation for the period	5,810	92,356	16,216	7,340	121,722
Disposal/Write-off	-	(115,902)	-	(8,516)	(124,418)
Effect of movements in exchange rates	(210)	(5,650)	-	(84)	(5,944)
Balance at December 31, 2020	<u>\$ 5,600</u>	<u>60,568</u>	<u>25,675</u>	<u>6,605</u>	<u>98,448</u>
Balance at January 1, 2019	\$ -	-	-	-	-
Depreciation for the period	-	91,649	9,459	7,892	109,000
Effect of movements in exchange rates	-	(1,885)	-	(27)	(1,912)
Balance at December 31, 2019	<u>\$ -</u>	<u>89,764</u>	<u>9,459</u>	<u>7,865</u>	<u>107,088</u>
Carrying amount:					
Balance at December 31, 2020	<u>\$ 300,711</u>	<u>363,264</u>	<u>55,406</u>	<u>4,043</u>	<u>723,424</u>
Balance at January 1, 2019	<u>\$ -</u>	<u>146,119</u>	<u>-</u>	<u>8,653</u>	<u>154,772</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>67,789</u>	<u>71,622</u>	<u>8,399</u>	<u>147,810</u>

The Group obtained the right-of-use for land from non-related parties with VND249,890,400 thousand on March 6, 2020. The period of use will be until October 13, 2065 for a total of 45 years. As of December 31, 2020, the relevant payment has been paid.

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(j) Intangible Assets

Changes in cost and accumulated amortization of intangible assets of the Group for the years ended December 31, 2020 and 2019, were as follows:

	<u>Goodwill</u>	<u>Authorization fee</u>	<u>Copyright</u>	<u>Computer software and others</u>	<u>Total</u>
Cost:					
Balance at January 1, 2020	\$ 6,556	113,605	18,496	137,215	275,872
Additions	-	-	-	40,849	40,849
Reclassifications	-	-	-	121	121
Disposals	-	-	-	(102)	(102)
Effect of movement in exchange rates	-	-	-	(41)	(41)
Balance at December 31, 2020	<u>\$ 6,556</u>	<u>113,605</u>	<u>18,496</u>	<u>178,042</u>	<u>316,699</u>
Balance at January 1, 2019	\$ 6,556	113,104	18,496	114,919	253,075
Additions	-	501	-	40,203	40,704
Disposals	-	-	-	(17,907)	(17,907)
Balance at December 31, 2019	<u>\$ 6,556</u>	<u>113,605</u>	<u>18,496</u>	<u>137,215</u>	<u>275,872</u>
Accumulated amortization:					
Balance at January 1, 2020	\$ -	97,624	18,496	92,874	208,994
Amortization	-	4,705	-	27,827	32,532
Disposals	-	-	-	(102)	(102)
Effects of movement in exchange rate	-	-	-	(25)	(25)
Balance at December 31, 2020	<u>\$ -</u>	<u>102,329</u>	<u>18,496</u>	<u>120,574</u>	<u>241,399</u>
Balance at January 1, 2019	\$ -	90,664	18,496	82,882	192,042
Amortization	-	6,960	-	27,893	34,853
Disposals	-	-	-	(17,907)	(17,907)
Effects of movement in exchange rate	-	-	-	6	6
Balance at December 31, 2019	<u>\$ -</u>	<u>97,624</u>	<u>18,496</u>	<u>92,874</u>	<u>208,994</u>
Book value:					
Balance at December 31, 2020	<u>\$ 6,556</u>	<u>11,276</u>	<u>-</u>	<u>57,468</u>	<u>75,300</u>
Balance at January 1, 2019	<u>\$ 6,556</u>	<u>22,440</u>	<u>-</u>	<u>32,037</u>	<u>61,033</u>
Balance at December 31, 2019	<u>\$ 6,556</u>	<u>15,981</u>	<u>-</u>	<u>44,341</u>	<u>66,878</u>

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Amortization expenses

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

	<u>2020</u>	<u>2019</u>
Operating costs	\$ <u>2,301</u>	<u>3,754</u>
Operating expenses	\$ <u>30,231</u>	<u>31,099</u>

(ii) As of December 31, 2020 and 2019, the Group did not provide any intangible assets as collaterals for its loan.

(k) Short-term borrowings

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Unsecured bank loans	\$ <u>707,795</u>	<u>519,038</u>
Unused credit line for short-term borrowings	\$ <u>9,028,972</u>	<u>8,010,048</u>
Annual interest rates	<u>0.25%~2.22%</u>	<u>1.2%~4.35%</u>

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

(l) Other current liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Collection for royalties	\$ -	1,294,547
Temporary receipts and others	<u>556,454</u>	<u>182,029</u>
	\$ <u>556,454</u>	<u>1,476,576</u>

(m) Unsecured convertible bonds payable

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total convertible corporate bonds issued	\$ 1,000,000	1,000,000
Unamortized discounts on corporate bonds payable	(18,527)	(31,383)
Unamortized issuance cost on corporate bonds payable	<u>(1,254)</u>	<u>(2,125)</u>
Balance of bonds payable as of the reporting date	\$ <u>980,219</u>	<u>966,492</u>
Conversion options included in equity components (recognized as capital surplus-stock options)	\$ <u>48,667</u>	<u>48,667</u>

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	2020	2019
Interest expenses	<u>\$ 13,727</u>	<u>7,919</u>

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

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

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

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

- 4) Terms of conversion:
 - a) The bondholder may opt to have its bonds converted into the Group's common shares, with the approval of Taiwan Depository & Clearing Corporation through securities firms, at any time between three months after the issuance date (September 7, 2019) and the day before the maturity day (June 6, 2022), except for the following:
 - The closing period in accordance with the applicable law;
 - The period starting from the first day of the first fifteen working days prior to the date of record for determination wherein the shareholders are entitled to receive the distributions or rights to subscribe for new shares in a capital increase for cash, and ends on the date of record for the distribution of the rights/benefits;
 - The period starts from the date of record of the capital decrease and ends on the date prior to the trading of the reissuance shares after the capital decrease.
 - b) The conversion price of NT\$98.3 per share upon issuance had been adjusted to NT \$93 per share after paying cash dividends on common shares and issuing new shares in cash in 2019, then adjusted to NT\$87.7 per share after paying cash dividend on common shares in 2020.

(n) Lease liabilities

The details of lease liabilities were as follows:

	December 31, 2020	December 31, 2019
Current	<u>\$ 83,370</u>	<u>143,453</u>
Non-current	<u>\$ 297,446</u>	<u>13,354</u>

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

The amounts recognized in profit or loss were as follows:

	<u>2020</u>	<u>2019</u>
Interest on lease liabilities	\$ <u>8,319</u>	<u>4,525</u>
Expenses relating to short-term leases	\$ <u>31,773</u>	<u>21,816</u>

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

	<u>2020</u>	<u>2019</u>
Total cash outflow for leases	\$ <u>220,208</u>	<u>119,707</u>

(i) Real estate, machinery and vehicles lease leases

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

(ii) Other leases

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

(o) Provisions

	<u>Warranties</u>
Balance at January 1, 2020	\$ 602,319
Provisions made during the period	153,936
Provisions used during the period	<u>(96,878)</u>
Balance at December 31, 2020	\$ <u>659,377</u>
Balance at January 1, 2019	\$ 210,972
Provisions made during the period	672,289
Provisions used during the period	<u>(280,942)</u>
Balance at December 31, 2019	\$ <u>602,319</u>

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(p) Employee benefits

(i) Defined benefit plans

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

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	\$ 229,760	216,618
Fair value of plan assets	<u>(130,641)</u>	<u>(121,707)</u>
Net defined benefit liability	<u>\$ 99,119</u>	<u>94,911</u>

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

1) Composition of plan assets

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$130,641 at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company were as follows:

	2020	2019
Balance at January 1	\$ 216,618	201,154
Current service costs and interest	3,293	3,834
Remeasurements of net benefit liabilities/assets)	<u>9,849</u>	<u>11,630</u>
Balance at December 31	<u>\$ 229,760</u>	<u>216,618</u>

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

	<u>2020</u>	<u>2019</u>
Fair value of plan assets at January 1	\$ 121,707	112,589
Contributions paid by the employer	4,079	4,072
Expected return on plan assets	1,220	1,557
Remeasurement in net defined benefit liabilities (assets)	<u>3,635</u>	<u>3,489</u>
Fair value of plan assets at December 31	<u>\$ 130,641</u>	<u>121,707</u>
Actual return on plan assets	<u>\$ 4,855</u>	<u>5,046</u>

4) Expenses recognized in profit or loss

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

	<u>2020</u>	<u>2019</u>
Service costs	\$ 1,144	1,087
Net interest of net liabilities (assets) for defined benefit obligations	2,149	2,747
Expected return on plan assets	<u>(1,220)</u>	<u>(1,557)</u>
	<u>\$ 2,073</u>	<u>2,277</u>
Operating costs	\$ 163	172
Selling expenses	175	181
Administrative expenses	413	447
Research and development expenses	<u>1,322</u>	<u>1,477</u>
	<u>\$ 2,073</u>	<u>2,277</u>

5) Actuarial gains and losses recognized in other comprehensive income

The Company's actuarial gains and losses recognized in other comprehensive income, before tax, for the years ended December 31, 2020 and 2019, were as follows:

	<u>2020</u>	<u>2019</u>
Cumulative amount at January 1	\$ 65,589	57,448
Recognized	<u>6,214</u>	<u>8,141</u>
Cumulative amount at December 31	<u>\$ 71,803</u>	<u>65,589</u>

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

6) Actuarial assumptions

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

i) Present value of defined benefit obligations

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate as of December 31	0.625 %	1.000 %
Future salary increasing rate	3.000 %	3.000 %

ii) Defined benefit plan cost

	<u>2020</u>	<u>2019</u>
Discount rate as of December 31	1.000 %	1.375 %
Future salary increasing rate	3.000 %	3.000 %

The expected allocation payment made by the Company to the defined benefit plans for the one year period after the reporting date was \$4,122.

The weighted-average duration of the defined benefit obligation is 14 years.

7) Sensitivity analysis

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

	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
December 31, 2020		
Discount rate	(6,020)	6,261
Future salary increasing rate	5,991	(5,807)
December 31, 2019		
Discount rate	(6,000)	6,253
Future salary increasing rate	6,015	(5,802)

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2020 and 2019.

8) There were no payment for retirement of employee made by the Company from labor pension reserve account of Bank of Taiwan for the years ended December 31, 2020 and 2019.

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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(ii) Defined contribution plans

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

The Company recognized the pension costs under the defined contribution method amounting to \$47,608 and \$43,096 for the years ended December 31, 2020 and 2019, respectively. Payment was made to the Bureau of Labor Insurance.

Other subsidiaries recognized the pension expense, basic endowment insurance expense, and social welfare expenses amounting to \$38,100 and \$60,143 for the years ended December 31, 2020 and 2019, respectively.

(q) Income taxes

(i) Income tax expense

The amount of income tax (benefit) for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Current tax expense		
Recognized during the period	\$ 650,299	593,115
Surtax on unappropriated earnings	10,114	11,891
Adjustment for prior periods	<u>(59,387)</u>	<u>(63,362)</u>
	<u>601,026</u>	<u>541,644</u>
Deferred tax expense		
Recognition and reversal of temporary differences	<u>106,719</u>	<u>(195,806)</u>
Income tax expense	<u><u>\$ 707,745</u></u>	<u><u>345,838</u></u>

The amount of income tax recognized in other comprehensive income for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Foreign currency translation differences for foreign operations	\$ (18,827)	(10,554)
Defined benefit plan actuarial gains (losses)	<u>(1,243)</u>	<u>(1,628)</u>
	<u><u>\$ (20,070)</u></u>	<u><u>(12,182)</u></u>

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Reconciliation of income tax (benefit) and profit before tax for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Profit before income tax	\$ <u>2,338,350</u>	<u>1,702,824</u>
Income tax calculated based on the Company's domestic tax rate	461,517	358,901
Effect of tax rates in foreign jurisdiction	17,230	35,160
Tax-exempt net profit and loss from investment	19,086	(30,013)
Changes in unrecognized temporary differences	233,209	3,726
Over provision in prior periods	(59,387)	(63,362)
Surtax on unappropriated earnings	10,114	11,891
Others	<u>25,976</u>	<u>29,535</u>
	<u>\$ <u>707,745</u></u>	<u>\$ <u>345,838</u></u>

(ii) Deferred tax assets and liabilities

- 1) Unrecognized deferred tax liabilities: None.
- 2) Unrecognized deferred tax assets:

Details of unrecognized deferred tax assets are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Tax effect of deductible temporary differences	\$ <u>233,630</u>	<u>33,242</u>
Tax effect of loss carryforward	<u>32,821</u>	<u>-</u>
	<u>\$ <u>266,451</u></u>	<u>\$ <u>33,242</u></u>

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

As of December 31, 2020, the tax effects on loss carryforward that have not been recognized as deferred tax assets were as follows:

<u>Year of loss</u>	<u>Expiry year</u>	<u>Deductible amount</u>
2020 (estimated)	2025	\$ 58,844
2020 (estimated)	2030	<u>90,550</u>
		<u>\$ <u>149,394</u></u>

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2020 and 2019 were as follows:

	Investment income recognized under the equity method (overseas)	Foreign currency translation adjustment	Others	Total
Deferred Tax Liabilities:				
Balance at January 1, 2020	\$ 68,630	58	18	68,706
Recognized in profit or loss	28,757	-	(18)	28,739
Balance at December 31, 2020	<u>\$ 97,387</u>	<u>58</u>	<u>-</u>	<u>97,445</u>
Balance at January 1, 2019	\$ 68,335	448	18	68,801
Recognized in profit or loss	295	-	-	295
Recognized in other comprehensive income	-	(390)	-	(390)
Balance at December 31, 2019	<u>\$ 68,630</u>	<u>58</u>	<u>18</u>	<u>68,706</u>

	Defined benefit plans	Foreign currency translation adjustment	Loss on inventory valuation	Unrealized exchange gains and losses, net	Unrealized gross profit	Loss carryforward	Others	Total
Deferred Tax Assets:								
Balance at January 1, 2020	\$ 13,114	23,049	72,600	62,838	68,146	1,527	123,166	364,440
Recognized in profit or loss	-	-	(24,313)	(14,652)	(58,620)	(1,527)	21,132	(77,980)
Recognized in other comprehensive income	1,243	18,827	-	-	-	-	-	20,070
Balance at December 31, 2020	<u>\$ 14,357</u>	<u>41,876</u>	<u>48,287</u>	<u>48,186</u>	<u>9,526</u>	<u>-</u>	<u>144,298</u>	<u>306,530</u>
Balance at January 1, 2019	\$ 11,486	12,885	35,132	43,719	4,077	3,910	45,338	156,547
Recognized in profit or loss	-	-	37,468	19,119	64,069	(2,383)	77,828	196,101
Recognized in other comprehensive income	1,628	10,164	-	-	-	-	-	11,792
Balance at December 31, 2019	<u>\$ 13,114</u>	<u>23,049</u>	<u>72,600</u>	<u>62,838</u>	<u>68,146</u>	<u>1,527</u>	<u>123,166</u>	<u>364,440</u>

(iii) The ROC tax authorities have examined the income tax returns of Acbel Telecom, through 2019, the Company and ZHI-BAO through 2018, TTI through 2017. The relevant approved differences will be reflected as an adjustment in the determining year.

(r) Capital and other equities

As of December 31, 2020 and 2019, the authorized common stocks were both \$3,000,000, of which 208,409 thousand shares and 208,535 thousand shares were issued respectively. All issued shares were paid up upon issuance.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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(i) Ordinary shares

Reconciliation of shares outstanding for 2020 and 2019 were as follows:

(in thousands of shares)	Ordinary shares	
	2020	2019
Balance on January 1	208,535	193,619
Capital increase by cash	-	15,000
Cancellation of employee restricted shares	(126)	(84)
Balance on December 31	208,409	208,535

In 2018, the Company issued its employee restricted shares amounting to \$45,000, wherein the amount of \$1,255 and \$840, had been cancelled due to failure in meeting the vested requirements in the year ended December 31, 2020 and 2019, respectively. As of the reporting date, the registration procedure had been completed.

In order to enrich its working capital, the Company's Board of Directors resolved to issue 15,000 thousand ordinary shares with a par value at \$10, totaling of \$150,000 on April 9, 2019. The issuance had been applied and was effective in accordance with the Rule No.1080314862 issued by the FSC on May 21, 2019, and extended offering period in accordance with the Rule No. 1080327573 granted by the FSC on August 19, 2019. Among the issuance, 1,500 thousand shares were reserved for employee subscription in accordance with Article 267 of Company Act.

On September 24, 2019, the Company announced and determined the subscription base date was on October 29, 2019. In addition, the Company announced and issued a value of TWD72 per share at premium on October 16, 2019. All related registration procedures had been completed.

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2020	December 31, 2019
Additional paid-in capital	\$ 3,488,459	3,436,118
Difference between consideration and carry amount arising from acquisition or disposal of subsidiaries	3,698	3,698
Changes in equity of associates and joint ventures accounted for using equity method	5,602	6,737
Issuance of convertible bonds	48,667	48,667
Issuance of employee restricted shares	115,168	208,696
	\$ 3,661,594	3,703,916

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

The Company's Board of Directors meeting held on March 17, 2020, approved to distribute the cash dividend of \$41,696 (\$0.2 per share) through capital surplus.

The resolution of shareholders' meeting decided to distribute the cash dividends amounting to \$96,778 (\$0.5 per share) through capital surplus on June 25, 2019.

The Company's Board of Directors meeting held on March 17, 2021, approved to distribute the cash dividend of \$208,391 (\$1.0 per share) through capital surplus. The related information can be accessed through the Market Observation Post System website after the meeting.

(iii) Retained earnings

The Company's article of incorporation, amended on June 25, 2019, stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, then paying any income taxes due. Of the remaining balance, 10% is to be appropriated as legal reserve. The legal reserve can be exempted if it equals the paid-in capital, besides, special reserves are supposed to be set aside or reversed in accordance with the relevant regulations or as required by the government. And then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors.

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

The prior Company's article of incorporation before amended on June 25, 2019, stipulated that Company's net earnings should first be used to offset the prior years' deficits, if any, then paying any income taxes due. Of the remaining balance, 10% is to be appropriated as legal reserve. The legal reserve can be exempted if it equals the paid-in capital, besides, special reserves are supposed to be set aside or reversed in accordance with the relevant regulations or as required by the government. And then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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1) Legal reserve

In accordance with the Company Act, 10 percent of net income after tax should be set aside as legal reserve, until it is equal to paid-in capital. When a company incurs no loss, the distribution of the legal reserve, either by issuing new shares or by cash, shall be resolved in the shareholders meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 percent of the paid-in capital.

2) Special reserve

Once the Company distributes available earnings, a portion of current earnings and previous unappropriated earnings shall be set aside as special reserve during earnings distribution. The amount to be set aside should be equal to the difference between the total amount of contra accounts that are accounted for as deductions to other equity interests and the carrying amount of appropriated special reserve. A portion of previous unappropriated earnings shall be set aside as special reserve, which should not be distributed, to account for cumulative changes to other equity interests pertaining to prior periods. The special reserve shall be made available for appropriation when the net deductions of other equity interests are reversed in the subsequent periods.

(iv) Earnings distributed

Earnings distribution for 2019 and 2018 was approved by the Board of Directors meeting held on March 17, 2020, and resolved by the shareholders meeting held on June 25, 2019, respectively. The relevant dividend distribution to shareholders were as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Amount per share</u>	<u>Total amount</u>	<u>Amount per share</u>	<u>Total amount</u>
Cash dividends distributed to common shareholders	\$ 4.50	<u>938,174</u>	3.00	<u>580,665</u>

The earnings distribution for year 2020 approved by the Board of Directors meeting held on March 17, 2021 was as follows:

	<u>2020</u>	
	<u>Amount per share (dollars)</u>	<u>Total amount</u>
Cash dividends distributed to commons shareholders from unappropriated earnings	5.50	<u>1,146,148</u>

The related information of the earnings distribution for the year ended December 31, 2020, can be accessed through the Market Observation Post System website after the meeting.

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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The information of the Company's restricted shares is as follows:

	Unit: in thousands of shares	
	2020	2019
Outstanding unit at January 1	4,416	4,500
Canceled during the period	(126)	(84)
Vested during the period	(1,984)	-
Outstanding unit at December 31	2,306	4,416

As of December 31, 2020 and 2019, the unearned employee benefit were \$45,606 and \$119,897, respectively.

The compensation cost related to the restricted share were \$73,545 and 99,719 for the years ended December 31, 2020 and 2019, respectively.

(ii) The Company – Cash injection reserved for employees

The Company's Board of Directors resolved to implement cash injection on April 9, 2019, of which 1,500 thousand shares were reserved for employees. The relevant information was as follows:

Grant date	2019.10.16
Number of shares granted (in thousands)	1,500
Granted recipients	(Note 1)
Vested condition	Vest immediately

(Note 1) The Company's full-time employees who meet certain requirements.

The compensation cost, recorded as operating expense and cost of sales related to the cash injection reserved for employees, amounted to \$27,000 in 2019.

(iii) TTI – employee stock options

The information about share-based payment of TTI in 2020 and 2019 was as follows:

	Employee stock options
Grant date	2015.10.29
Granted quantity (in thousands)	1,000
Contract period	7 years
Granted recipients	Employees of TTI
Vested condition	Please refer to the issuance terms of the stock options.

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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The issuance terms of the stock options are as follows:

- 1) Exercise price: NT\$13.5 per share.
- 2) Exercisable duration: The employees who received stock options that exceed two years and meet the performance requirements can exercise a specific percentage in each period as below. The exercisable duration of the options is seven years. No transfer is allowed except for inheritance.

<u>Exercisable percentage</u>	<u>Period and performance requirements to exercise options</u>
40 %	The share purchase right is effectively vested after the satisfaction of 2 conditions: (1) Years of service must exceed 2 years after the issuance of the right. (2) Upon vesting, the average earnings per share of TTI for the past 2 years must exceed NT\$3. If the criteria for the said earnings per share are not fulfilled, then the measurement period will be extended to 3 years; under this extension, the average of the earnings per share of any 2 years within the 3 year period must exceed NT\$3.
30 %	The share purchase right is effectively vested after the satisfaction of 2 conditions: (1) Years of service must exceed 3 years after the issuance of the right. (2) Upon vesting, the performance requirements need to be met, otherwise, the earnings per share of TTI for the following year must exceed NT\$3. If the criteria for the said earnings per share are not fulfilled, then the measurement period will be extended to another 1 year; the earnings per share must exceed NT\$3 during the extension period.
30 %	The share purchase right is effectively vested after the satisfaction of 2 conditions: (1) Years of service must exceed 4 years after the issuance of the right. (2) Upon vesting, the performance requirements need to be met, otherwise, the earnings per share of TTI for the following year must exceed NT\$3. If the criteria for the said earnings per share are not fulfilled, then the measurement period will be extended to another 1 year; the earnings per share must exceed NT\$3 during the extension period.
	The total measurement periods mentioned above may not exceed 6 years.

The earnings per share mentioned above are based on the financial statements that had been audited and certified by a certified public accountant.

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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- 3) Exercise method: TTI would issue new shares as the options is exercised.
- 4) Exercise procedure: In accordance with TTI' s issuance and exercise rules. After receiving the payment for share options, the entitlement certification of share options exercised is registered as ordinary shares.

The information on total options issued were as follow:

	2020		2019	
	Weighted- average exercise price (NT dollars)	(thousands) Shares	Weighted- average exercise price (NT dollars)	(thousands) Shares
Balance at January 1, outstanding shares	\$ 13.5	300	13.5	600
Canceled during the period	13.5	<u>(300)</u>	13.5	<u>(300)</u>
Balance at December 31, outstanding units	-	<u>-</u>	13.5	<u>300</u>
Balance at December 31, exercisable units	-	<u>-</u>	-	<u>-</u>

The exercise price range of TTI's outstanding employee stock options and weighted-average remaining contractual life of the outstanding options are as follows:

	December 31, 2020	December 31, 2019
Range of exercise price	13.5	13.5
Weighted average of remaining contractual period	-	2.83

For the year ended December 2020, all of the TTI' s employee stock options were expired due to the failure in meeting the vested requirements.

The reverse compensation cost related to the share-based payment amounted to \$970 and \$1,326 for the years ended December 31, 2020 and 2019, respectively.

- (t) Earnings per share
- (i) Basic earnings per share

The calculation of basic earnings per share for 2020 and 2019 were as follows:

- 1) Profit attributable to ordinary shareholders of the Company

	2020	2019
Profit attributable to ordinary shareholders of the Company	<u>\$ 1,713,942</u>	<u>1,313,498</u>

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>2020</u>	<u>2019</u>
Weighted-average number of ordinary shares at December 31	<u>204,955</u>	<u>191,708</u>
Basic earnings per share (dollars)	<u>\$ 8.36</u>	<u>6.85</u>

(ii) Diluted earnings per share

The calculation of diluted earnings per share for 2020 and 2019 was as follows:

1) Profit attributable to ordinary shareholders of the Company (diluted)

	<u>2020</u>	<u>2019</u>
Profit attributable to ordinary shareholders of the Company(basic) (diluted)	<u>\$ 1,727,669</u>	<u>1,318,031</u>

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

	<u>2020</u>	<u>2019</u>
Weighted-average number of outstanding ordinary shares (basic)	204,955	191,708
Effect of employee remunerations	3,327	1,914
Effect of employee restricted shares unvested	2,626	2,817
Convertible bonds payable	<u>11,403</u>	<u>6,144</u>
Weighted-average number of ordinary shares (diluted)	<u>222,311</u>	<u>202,583</u>
Diluted earnings per share (dollars)	<u>\$ 7.77</u>	<u>6.51</u>

(u) Revenue from contracts with customers

(i) Details of revenue

	<u>2020</u>		
	<u>Networking Product Segment</u>	<u>Digital Set Top Box Product Segment</u>	<u>Total</u>
Primary geographical markets:			
Europe	\$ 15,411,523	1,371,352	16,782,875
America	9,517,784	468	9,518,252
Asia and others	<u>7,320,476</u>	<u>143,692</u>	<u>7,464,168</u>
	<u>\$ 32,249,783</u>	<u>1,515,512</u>	<u>33,765,295</u>

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	2020		
	Networking Product Segment	Digital Set Top Box Product Segment	Total
Major products:			
Networking products	\$ 28,007,639	-	28,007,639
Digital set-top-box products	3,715,746	1,467,946	5,183,692
Materials and others	526,398	47,566	573,964
	\$ 32,249,783	1,515,512	33,765,295
	2019		
	Networking Product Segment	Digital Set Top Box Product Segment	Total
Primary geographical markets:			
Europe	\$ 13,648,288	6,471,939	20,120,227
America	5,145,008	122,835	5,267,843
Asia and others	7,335,167	174,663	7,509,830
	\$ 26,128,463	6,769,437	32,897,900
Major products:			
Networking products	\$ 22,184,688	-	22,184,688
Digital set-top-box products	3,592,558	6,704,201	10,296,759
Materials and others	351,217	65,236	416,453
	\$ 26,128,463	6,769,437	32,897,900

(ii) Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Notes and accounts receivable	\$ 6,939,295	6,146,872	5,863,079
Less: allowance for impairment	(26,831)	(40,275)	(46,317)
Total	\$ 6,912,464	6,106,597	5,816,762

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

(v) Remuneration to employees and directors

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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For the years ended December 31, 2020 and 2019, the Company accrued employee remuneration of \$262,880 and \$156,863, and directors' remuneration of \$16,876 and \$11,812, respectively. The estimated amounts mentioned above are based on the net profit before tax without the remuneration to employees and directors of each respective ending period, multiplied by the percentage of remuneration to employees and directors as specified under the Company's articles. The estimations were recorded under operating expenses during 2020 and 2019.

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

There is no differences between the amounts approved in the Board of Directors' meeting and those recognized in the consolidated financial statement for the year ended December 31, 2019, the related information can be accessed through the Market Observation Post System website.

(w) Financial instruments

(i) Credit risk

1) Exposure to credit risk

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

2) Concentration of credit risk

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

3) Receivable and debt securities

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

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

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The loss allowance provision as of December 31, 2020 and 2019 was determined as follows:

	Other receivables
Balance at January 1, 2020	\$ 105
Impairment loss reversed	(60)
Balance at December 31, 2020	\$ 45
Balance at January 1, 2019	\$ 1,505
Impairment loss reversed	(1,400)
Balance at December 31, 2019	\$ 105

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, excluding estimated interest payments.

	Carrying Amount	Contractual cash flows	Within a year	1 ~ 2 years	Over 2 years
December 31, 2020					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 707,795	(707,795)	(707,795)	-	-
Accounts payable (including related parties)	10,334,606	(10,334,606)	(10,334,606)	-	-
Other payables	2,575,057	(2,575,057)	(2,575,057)	-	-
Bonds payable	980,219	(1,000,000)	-	(1,000,000)	-
Lease liability – current and non-current	380,816	(410,354)	(94,996)	(88,947)	(226,411)
Derivative financial liabilities					
Other foreign exchange forward contracts:	48,665				
Outflow		(1,456,830)	(1,456,830)	-	-
Inflow		1,411,916	1,411,916	-	-
Foreign exchange swaps	5,752				
Outflow		(1,295,840)	(1,295,840)	-	-
Inflow		1,285,715	1,285,715	-	-
Foreign exchange forward contracts used for hedging:	2,192				
Outflow		(209,640)	(209,640)	-	-
Inflow		208,331	208,331	-	-
	\$ 15,035,102	(15,084,160)	(13,768,802)	(1,088,947)	(226,411)

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	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
December 31, 2019					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 519,038	(519,038)	(519,038)	-	-
Accounts payable (including related parties)	8,222,862	(8,222,862)	(8,222,862)	-	-
Other payables	1,537,265	(1,537,265)	(1,537,265)	-	-
Bonds payable	966,492	(1,000,000)	-	-	(1,000,000)
Lease liability—current and non-current	156,807	(158,714)	(144,982)	(13,732)	-
Derivative financial liabilities					
Other foreign exchange forward contracts:	5,414				
Outflow		(602,004)	(602,004)	-	-
Inflow		598,158	598,158	-	-
Foreign exchange forward contracts used for hedging:	4,932				
Outflow		(1,423,089)	(1,423,089)	-	-
Inflow		1,433,921	1,433,921	-	-
	<u>\$ 11,412,810</u>	<u>(11,430,893)</u>	<u>(10,417,161)</u>	<u>(13,732)</u>	<u>(1,000,000)</u>

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

(iii) Market risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

Unit: thousands of foreign currency

	<u>December 31, 2020</u>			<u>December 31, 2019</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
Financial assets						
Monetary items						
USD	\$ 341,464	USD/TWD =28.48	9,724,895	364,077	USD/TWD =30.02	10,929,592
EUR	60,407	EUR/TWD =34.94	2,110,621	68,907	EUR/TWD =33.62	2,316,653

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	December 31, 2020			December 31, 2019		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial liabilities						
USD	448,686	USD/TWD =28.48	12,778,577	368,007	USD/TWD =30.02	11,047,570
EUR	3,781	EUR/TWD =34.94	132,108	42,196	EUR/TWD =33.62	1,418,630

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, notes and accounts receivable, other receivables (including related parties), short-term borrowings, notes and accounts payable and other payables (including related parties) that are denominated in foreign currency. The analysis assumes that all other variables remain constant. A strengthening (weakening) 5% of each foreign currency against the functional currency on December 31, 2020 and 2019 would have affected the net profit before tax as follows. The analysis is performed on the same basis for both periods:

	December 31, 2020	December 31, 2019
USD (against the TWD)		
Strengthening 5%	\$ (152,684)	(5,899)
Weakening 5%	152,684	5,899
EUR (against the TWD)		
Strengthening 5%	\$ 98,926	44,901
Weakening 5%	(98,926)	(44,901)

3) Exchange gains and losses of monetary items

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. In 2020 and 2019, the foreign exchange loss (including realized and unrealized portions) amounted to \$(15,509) and \$(181,263), respectively.

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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(iv) Interest rate analysis

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

	Book value	
	December 31, 2020	December 31, 2019
Fixed rate financial instrument:		
Financial assets	\$ 5,744,607	3,935,158
Financial liabilities	<u>(1,688,014)</u>	<u>(1,485,530)</u>
	<u>\$ 4,056,593</u>	<u>2,449,628</u>
Variable rate financial instrument:		
Financial assets	<u>\$ 3,302,884</u>	<u>3,669,759</u>

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

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have increased or decreased by \$8,257 and \$9,174 for the years ended December 31, 2020 and 2019, respectively, which would be mainly resulted from the bank savings with variable interest rates.

(v) Fair value

1) The kinds of financial instruments and fair value

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

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	December 31, 2020				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss—current and non-current					
Derivative financial assets	\$ 11,069	-	11,069	-	11,069
Non derivative financial assets mandatorily measured at fair value through profit or loss	<u>304,514</u>	-	261,674	42,840	304,514
Subtotal	<u>315,583</u>				
Financial assets measured at fair value through other comprehensive income					
Stocks unlisted in domestic markets	31,135	-	-	31,135	31,135
Accounts receivable	<u>98,655</u>	-	98,655	-	98,655
Subtotal	<u>129,790</u>				
Financial assets measured at amortized cost:					
Cash and cash equivalents	9,079,768	-	-	-	-
Notes and accounts receivable, net	6,813,809	-	-	-	-
Other receivables (including related parties)	160,521	-	-	-	-
Refundable deposits	<u>85,955</u>	-	-	-	-
Subtotal	<u>16,140,053</u>				
Total	<u>\$ 16,585,426</u>				
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	<u>\$ 54,417</u>	-	54,417	-	54,417
Financial liabilities for hedging	<u>2,192</u>	-	2,192	-	2,192
Financial liabilities measured at amortized cost					
Short-term borrowings	707,795	-	-	-	-
Accounts payable (including related parties)	10,334,606	-	-	-	-
Other payables (including related parties)	2,575,057	-	-	-	-
Bonds payable	980,219	-	-	-	-
Lease liabilities—current and non-current	380,816	-	-	-	-
Deposits received	<u>2,073</u>	-	-	-	-
Subtotal	<u>14,980,566</u>				
Total	<u>\$ 15,037,175</u>				

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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	December 31, 2019				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss — current and non-current					
Derivative financial assets	\$ 15,455	-	15,455	-	15,455
Non-derivative financial assets mandatorily measured at fair value through profit or loss	<u>44,262</u>	-	-	44,262	44,262
Subtotal	<u>59,717</u>				
Financial assets for hedging	<u>61</u>	-	61	-	61
Financial assets measured at fair value through other comprehensive income					
Stocks unlisted in domestic markets	49,500	-	-	49,500	49,500
Accounts receivables	<u>837,277</u>	-	837,277	-	837,277
Subtotal	<u>886,777</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	7,607,559	-	-	-	-
Notes and accounts receivable, net	5,269,320	-	-	-	-
Other receivables (including related parties)	208,524	-	-	-	-
Refundable deposits	<u>80,239</u>	-	-	-	-
Subtotal	<u>13,165,642</u>				
Total	<u>\$ 14,112,197</u>				
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ <u>5,414</u>	-	5,414	-	5,414
Financial liabilities for hedging	<u>4,932</u>	-	4,932	-	4,932
Financial liabilities at amortized cost					
Short-term borrowings	519,038	-	-	-	-
Accounts payable (including related parties)	8,222,862	-	-	-	-
Other payables (including related parties)	1,537,265	-	-	-	-
Bonds payable	966,492	-	-	-	-
Lease liabilities—current and non-current	156,807	-	-	-	-
Deposits received	<u>1,782</u>	-	-	-	-
Subtotal	<u>11,404,246</u>				
Total	<u>\$ 11,414,592</u>				

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

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

a) Financial assets and financial liabilities measured at amortized cost

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

3) Valuation technique for financial instruments measured at fair value

a) Non-derivative financial instruments

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

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

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

b) Derivative financial instruments

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

4) Transfers between Level 1 and Level 2

There were no transfers from level 2 to level 1 in 2020 and 2019.

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Notes to the Consolidated Financial Statements

5) Reconciliation of Level 3 fair values

	<u>Fair value through profit of loss</u>	<u>Fair value through other comprehensive income</u>
	<u>Non derivation mandatorily measured at fair value through profit or loss</u>	<u>Unquoted equity instruments</u>
Balance at January 1, 2020	\$ 44,262	49,500
Total gains and losses recognized		
In profit or loss	(1,422)	-
In other comprehensive income (loss)	<u>-</u>	<u>(18,365)</u>
Balance at December 31, 2020	<u>\$ 42,840</u>	<u>31,135</u>
Balance at January 1, 2019	\$ 45,645	-
Total gains and losses recognized		
In profit or loss	(1,383)	-
Purchased	<u>-</u>	<u>49,500</u>
Balance at December 31, 2019	<u>\$ 44,262</u>	<u>49,500</u>

For the years ended December 31, 2020 and 2019, total gains and losses that were included in “gains and losses from financial assets (liabilities) at fair value through profit or loss” and “unrealized gains and losses from equity investment at fair value through other comprehensive income ” were as follows:

	<u>2020</u>	<u>2019</u>
Total gains and losses recognized:		
In profit or loss, and presented in “unrealized gains and losses from financial assets(liabilities) at fair value through profit or loss”	<u>\$ (1,422)</u>	<u>(1,383)</u>
In other comprehensive income, and presented in “unrealized gains and losses from equity investment at fair value through other comprehensive income”	<u>\$ (18,365)</u>	<u>-</u>

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

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

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

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income—equity investment without an active market	Comparable market approach	· Price-Book ratio multiples (1.45~5.33 and 4.38 on December 31, 2020 and 2019, respectively)	· The higher the multiple is, the higher the fair value will be.
		· Lack-of-Marketability discount rate (30% on December 31, 2020 and 2019)	· The higher the Lack-of-Marketability discount rate is, the lower the fair value will be.
Financial assets at fair value through profit or loss—investment in private equity fund	Net asset value method	· Net asset value	· Inapplicable

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

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

	<u>Input</u>	<u>Move up or down</u>	<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
December 31, 2020				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	\$ <u>1,572</u>	<u>1,599</u>
	Lack-of-Marketability discount rate	5%	\$ <u>660</u>	<u>689</u>

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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December 31, 2019	<u>Input</u>	<u>Move up or down</u>	<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	\$ <u>1,912</u>	<u>1,911</u>
	Lack-of-Marketability discount rate	5%	\$ <u>809</u>	<u>825</u>

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

8) Offsetting financial assets and financial liabilities

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

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

Unit: thousands of New Taiwan Dollars/thousands of US Dollars

December 31, 2020						
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a) (b)	Amounts not off set in the balance sheet (d)		Net amount (e)=(c) (d)
				Financial instruments (Note)	Cash collateral received	
Other current assets	\$ <u>2,540,169</u>	<u>2,540,169</u>	-	-	-	-
	(USD <u>89,191</u>)	(USD <u>89,191</u>)				

December 31, 2020						
Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a) (b)	Amounts not off set in the balance sheet (d)		Net amount (e)=(c) (d)
				Financial instruments (Note)	Cash collateral received	
Short-term borrowings	\$ <u>2,540,169</u>	<u>2,540,169</u>	-	-	-	-
	(USD <u>89,191</u>)	(USD <u>89,191</u>)				

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(x) Financial risk management

(i) Briefings

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

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

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

(ii) Structure of risk management

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

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

(iii) Credit risk

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

1) Accounts receivable and other receivables

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, and these limits are reviewed periodically.

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

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

2) Investments

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

(iv) Liquidity risk

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

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures in compliance with the terms of the loan agreements. The loans and borrowings from the bank form an important source of liquidity for the Group. As of December 31, 2020 and 2019, for the information of the unused credit lines of short-term loans, please see note (6)(k).

(v) Market risk

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

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

1) Currency risk

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

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

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

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

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

2) Interest rate risk

The Group borrows funds with a stable combination of fix and variable interest rates to maintain its interest rate risk. The Group periodically assess these hedge activities to provide the best cost effect and risk assessment.

(y) Capital management

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

	December 31, 2020	December 31, 2019
Total liabilities	\$ 16,845,230	14,190,051
Total equity	11,961,996	11,340,934
Debt-to-equity ratio	141 %	125 %

As of December 31, 2020 and 2019, there were no changes in the Group’s approach to capital management.

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

The Group’s investing and financing activities which did not affect the current cash flow in the years ended December 31, 2020 and 2019 were as follow:

- (i) The acquisition of right-of-use assets by lease, please see notes (6)(i).
- (ii) Issuance of convertible bonds, please see notes (6)(m).

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Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2020	Cash flows	Non- cash changes	December 31, 2020
			Other	
Short-term borrowings	\$ 519,038	188,757	-	707,795
Lease liabilities	156,807	(180,116)	404,125	380,816
Bonds payable	966,492	-	13,727	980,219
Deposits received	<u>1,782</u>	<u>381</u>	<u>(90)</u>	<u>2,073</u>
Total liabilities from financing activities	<u>\$ 1,644,119</u>	<u>9,022</u>	<u>417,762</u>	<u>2,070,903</u>

	January 1, 2019	Cash flows	Non- cash changes	December 31, 2019
			Other	
Short-term borrowings	\$ 1,819,915	(1,300,877)	-	519,038
Lease liabilities	154,772	(93,366)	95,401	156,807
Bonds payable	-	1,007,240	(40,748)	966,492
Deposits received	<u>1,904</u>	<u>-</u>	<u>(122)</u>	<u>1,782</u>
Total liabilities from financing activities	<u>\$ 1,976,591</u>	<u>(387,003)</u>	<u>54,531</u>	<u>1,644,119</u>

(7) Related-party transactions:

- (a) Parent company and ultimate controlling party

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

- (b) Name and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Compal Electronics, INC.	Parent company
Kinpo Group Management Service Company	The chairman of the entity's ultimate parent company is the same as that of the Company.
AcBel Polytech Inc.	"

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<u>Name of related party</u>	<u>Relationship with the Group</u>
Compal Display Electronics (Kunshan) Co., Ltd.	The entity's ultimate is the same parent company.
Compal Electronics (Vietnam) Co., Ltd. (“CVC”)	"
LIZ Electronics (Nantong) Co., Ltd.	An associate of parent company.
LIZ Electronics (Kunshan) Co., Ltd.	"

(c) Significant related party transactions

(i) Sale

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

	<u>2020</u>	<u>2019</u>
Other related parties	\$ <u>-</u>	<u>2,490</u>

Sales prices for other related parties were similar to those of the third-party customers. The collection period was 90 days for the aforementioned related parties.

(ii) Purchase of goods from related parties

The amounts of significant purchase transactions between the Group and related parties were as follows:

	<u>2020</u>	<u>2019</u>
Parent Company	\$ 3,526	1,052
Other related parties	<u>114,547</u>	<u>70,881</u>
	<u>\$ 118,073</u>	<u>71,933</u>

Purchase prices from related parties were similar to those from third-party suppliers. The payment period was 60~120 days for related parties.

(iii) Other expenditures

Parent company and other related parties provided technical support, professional services and other services for the Group, and the related expenses for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Other related parties	\$ <u>20,674</u>	<u>16,514</u>

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(iv) Lease

In April 2019, the Group leased factories and buildings from other related parties — CVC, with a lease term of 3 years, after surveying the market price in neighboring areas. The interest expenses for 2020 and 2019 were \$589 and \$662, respectively. The balance of lease liability amounting to \$5,894 and \$10,771, respectively, were recognized as of December 31, 2020 and 2019.

The Group lease machinery from other related parties — CVC with a contract term of 5 years in June 2019. The lease payment will be collected by the parent company; and the amount of \$71,622 and \$81,081 had each been recorded as right-of-use assets and lease liabilities on December 31, 2019. The lease payment had been paid in 2020, and the balance of right-of-use assets amounted to \$55,406 on December 31, 2020.

In April 2020, the Group leases factories and buildings from other related parties — CVC, with a short-term lease contract. The Group has selected not to recognize the right-of-use assets and lease liabilities. The rental expense for 2020 was \$2,588, all of which has been paid.

(v) Receivable from related parties

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

<u>Account</u>	<u>Related party categories</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other receivables	Other related parties	\$ -	80,936

(vi) Payable to related parties

The payables to related parties were as follows:

<u>Account</u>	<u>Related party categories</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts payable	Parent Company	\$ 1,823	519
Accounts payable	Other related parties	26,644	27,613
		<u>\$ 28,467</u>	<u>28,132</u>
Other payables	Other related parties	\$ 2,814	2,530

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(d) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 111,038	88,984
Post-employment benefits	1,251	1,230
Share-based payments	<u>19,034</u>	<u>30,278</u>
	<u>\$ 131,323</u>	<u>120,492</u>

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

(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Assets</u>	<u>Subject</u>	<u>December 31,</u> <u>2020</u>	<u>December</u> <u>31, 2019</u>
Other current assets	Bail for court mandatory execution	<u>\$ 41,090</u>	<u>41,090</u>

(9) Commitments and contingencies:None

In July 2020, the Group has signed contracts to engage a third-party to build a factory, amounting to \$473,370, which has yet to be paid as of December 31, 2020.

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(12) Other:

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

By item	By function			2020			2019		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total			
Employee benefits									
Salary	770,915	1,603,595	2,374,510	826,086	1,433,850	2,259,936			
Labor and health insurance	24,273	108,695	132,968	16,709	98,624	115,333			
Pension	35,176	52,605	87,781	55,803	49,713	105,516			
Others	449,080	63,958	513,038	306,673	90,522	397,195			
Depreciation	354,515	130,932	485,447	271,203	122,062	393,265			
Amortization	2,301	30,231	32,532	3,754	31,099	34,853			

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated 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 for 2020:

(i) Loans to other parties:

Unit: In thousand dollars of TWD and USD

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (note 2)	Maximum limit of fund financing (note 2)	Note
													Item	Value			
0	The Company	Arcadyan do Brasil Ltda	Other receivables	Yes	56,960 (USD2,000)	-	-	1%	2	-	Operating demand	-	-	-	2,321,872	4,643,744	The transactions had been eliminated in the consolidated financial statements.
0	"	Arcadyan do Brasil Ltda	"	Yes	56,960 (USD2,000)	56,960 (USD2,000)	37,024 (USD1,300)	1%	2	-	Operating demand	-	-	-	2,321,872	4,643,744	"
0	"	Arcadyan Technology Limited	"	Yes	199,360 (USD7,000)	-	-	1%	1	4,272,000 (USD150,000)	-	-	-	-	2,321,872	4,643,744	"
0	"	Arcadyan Technology Limited	"	Yes	284,800 (USD10,000)	284,800 (USD10,000)	-	1%	1	4,475,717 (USD157,153)	-	-	-	-	2,321,872	4,643,744	"
0	"	Arcadyan Technology (Vietnam) Co. Ltd.	"	Yes	256,320 (USD9,000)	-	-	1%	1	569,600 (USD20,000)	-	-	-	-	455,680 (USD16,000)	4,643,744	"
0	"	Arcadyan Technology (Vietnam) Co. Ltd.	"	Yes	256,320 (USD9,000)	256,320 (USD9,000)	-	1%	1	5,530,446 (USD194,187)	-	-	-	-	2,321,872	4,643,744	"
0	"	Arcadyan Technology Corporation (Russia), LLC	"	Yes	56,960 (USD2,000)	56,960 (USD2,000)	6,925 (RUB18,000)	1%	1	170,787 (USD5,997)	-	-	-	-	136,629 (USD4,797)	4,643,744	"
1	ZHI-BAO	Arcadyan do Brasil Ltda	"	Yes	31,328 (USD1,100)	-	-	1%	2	-	Operating demand	-	-	-	42,399	169,598	
2	Arcadyan Holding	CNC	"	Yes	484,160 (USD17,000)	-	-	1%	2	-	Operating demand	-	-	-	2,287,344	2,287,344	
2	Arcadyan Holding	CNC	"	Yes	484,160 (USD17,000)	484,160 (USD17,000)	484,160 (USD17,000)	1%	2	-	Operating demand	-	-	-	2,287,344	2,287,344	"
3	SVA	CNC	"	Yes	153,020 (CNY35,000)	153,020 (CNY35,000)	139,904 (CNY32,000)	3.85%	2	-	Operating demand	-	-	-	164,728	164,728	

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

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

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

Note 4: According to ZHI-BAO's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of ZHI-BAO. To borrowers having business relationship with ZHI-BAO, the total amount for lending the borrower shall not exceed 80% of the transaction amount in the last fiscal year or the expected amount for the current year, nor shall it exceed 20% of the net worth of ZHI-BAO. When a short-term financing facility is necessary, the borrower should be ZHI-BAO's investee. The total amount for lending the borrower shall not exceed 10% of the net worth of the borrower.

Note 5: According to the policy of SVA on Lending Funds to Others, the amount of loans to others shall not exceed 40% of the net worth of SVA. To borrowers having business relationship with SVA, the total amount of loans to the borrower shall not exceed 80% of the transaction amount in the last fiscal year or the expected amount for the current year, which shall not exceed 20% of the net worth of SVA. Also, the amount shall be combined with SVA's endorsements/guarantees for the borrower upon calculation. When a short-term financing facility is deemed necessary, only the investees of SVA are allowed to borrow. The total amount of loans to the borrower shall not exceed 80% of its net worth, nor shall it exceed 20% of the net worth of SVA, and it shall be combined with the SVA's endorsements/guarantees for the borrower upon calculation.

Note 6: The amounts in New Taiwan Dollars were translated at the exchange rate of \$28.48(USD), \$4.372(CNY) and \$0.3847(RUB) based on the year-end date.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Guarantees and endorsements for other parties:None

Unit: thousand dollars

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

Unit: thousand dollars/thousand shares

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest balance during the year		Note
				Shares	Carrying value	Percentage of ownership (%)	Fair value	Shares	Percentage of ownership (%)	
The Company	Geo Things Inc.	-	Financial assets at fair value through profit or loss-noncurrent	200	-	7.14 %	-	200	8.94 %	
"	AirHop Communication, Inc.	-	"	1,152	-	4.60 %	-	1,152	5.04 %	
"	Adant Technologies Inc.	-	"	349	-	4.93 %	-	349	4.93 %	
"	IOT Eye, Inc.	-	"	60	-	13.75 %	-	60	13.75 %	
"	TIEF Fund, L.P.	-	"	-	42,840	7.49 %	42,840	-	7.49 %	
"	Chimei Motor Electronic Co Ltd.	-	Financial assets at fair value through other comprehensive income-noncurrent	1,650	31,135	7.17 %	31,135	1,650	8.68 %	
"	Golden Smart home Technology Corp.	-	"	1,229	-	8.35 %	-	1,229	10.69 %	
CNC	Structured deposits-SPD Bank Yield Plus Structured Deposit	-	Financial assets at fair value through profit or loss-current	-	130,875	-	130,875	-	-	
"	Structured deposits-Agricultural Bank of China "HuiLi Feng" customization RMB structured deposit	-	"	-	130,799	-	130,799	-	-	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:None

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

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
Arcadyan Vietnam	Plant and mechanical and electrical equipment	July 28, 2020 (Note 1)	Estimated 794,885 (Note 2)	Depending on the progress of the project	Giza E&C etc.	Non-related party	Not applicable	Not applicable	Not applicable	Not applicable	Price comparison and price negotiation	Manufacturing purpose	None

Note 1: On July 28, 2020, the Board of Directors of Arcadyan Vietnam made a resolution to build on a leased land. The total contract amount is estimated to be \$794,885 thousand (VND 691,204,153 thousand).

Note 2: As of December 31, 2020, the contracts for fire equipment, mechanical and electrical equipment and the renovation project have not been signed and completed.

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

Unit: In thousand dollars of TWD

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Arcadyan Germany	Subsidiary	(Sales)	(867,017)	(3)%	Net 150 days from delivery	-	-	242,935	4 %	Note 3
"	Arcadyan USA	"	(Sales)	(5,413,289)	(18)%	Net 120 days from delivery	-	-	1,039,758	17 %	Note 3
"	Arcadyan AU	"	(Sales)	(1,394,596)	(5)%	Net 60 days from the end of the month of delivery	-	-	22,357	- %	Note 3
"	CNC	"	Purchases	11,026,936	27 %	Net 120 days from delivery	According to cost plus pricing	-	(3,407,485)	(40)%	Note 1、3
"	Arcadyan Vietnam	"	Purchases	1,065,328	3 %	Net 180 days from the end of the month of delivery	"	-	Note 2	- %	Note 1、3
CNC	The Company	"	(Sales)	(11,026,936)	(100)%	Net 120 days from delivery	According to cost plus pricing	-	3,407,485	94 %	Note 1、3
Arcadyan Vietnam	The Company	Parent company	(Sales)	(1,065,328)	(100)%	Net 180 days from the end of the months of delivery	-	-	Note 2	- %	Note 1、3
Arcadyan Germany	The Company	Parent company	Purchases	867,017	100 %	Net 150 days from delivery	-	-	(242,935)	(100)%	Note 3
Arcadyan USA	"	"	Purchases	5,413,289	100 %	Net 120 days from delivery	-	-	(1,039,758)	(100)%	Note 3
Arcadyan AU	"	"	Purchases	1,394,596	100 %	Net 60 days from the end of the month of delivery	-	-	(22,357)	(100)%	Note 3

Note 1: The ending balance derived from the transactions on processing and sales of raw material.

Note 2: As of December 31, 2020 the other receivables (payables) of amounted to 303,959 thousand.

Note 3: The transactions had been 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:

Unit: In Thousands of TWD

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (note 3)	Allowance for bad debts
					Amount	Action taken		
The Company	Arcadyan Germany	Subsidiary	242,935	2.73	-	-	216,165	-
"	Arcadyan USA	"	1,039,758	2.91	-	-	1,019,515	-
"	Arcadyan Vietnam	"	303,959 (note 2)	Note 2	-	-	7,278	-
CNC	The Company	Parent company	3,407,485 (Note 1)	3.38	-	-	3,223,397	-

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

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

Note 3: Balance as of February 26, 2021.

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
0	The Company	Arcadyan Germany	1	Sales Revenue	867,017	There is no significant difference of price between general customers'. The credit period is net 150 days from delivery.	2.57 %
"	"	"	1	Accounts Receivable	242,935	"	0.84 %
"	"	Arcadyan USA	1	Sales Revenue	5,413,289	There is no significant difference of price between general customers'. The credit period is net 120 days from the end of the month of delivery.	16.03 %
"	"	"	1	Accounts Receivable	1,039,758	"	3.61 %
"	"	Arcadyan AU	1	Sales	1,394,596	There is no significant difference of price between general customers'. The credit period is net 60 days from delivery.	4.13 %
"	"	"	1	Accounts Receivable	22,357	"	0.08 %
"	"	Arcadyan Vietnam	1	Other Receivable	303,959	The credit period is net 180 days from the date of invoice and depended on funding demand.	1.06 %
1	CNC	The Company	2	Processing Revenue	11,026,936	The price is based on the operating cost. The credit period is net 120 days from the end of the month of delivery and depended on funding demand.	32.66 %
"	"	"	2	Accounts Receivable	3,407,485	"	11.83 %
2	Arcadyan Vietnam	The Company	2	Processing Revenue	1,065,328	The credit period is net 180 days from the date of invoice and depended on funding demand.	3.16 %

Note 1: The numbers filled in as follows:

1.0 represents the Company.

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

Note 2: Transactions labeled as follows:

1 represents transactions between the parent company and its subsidiaries.

2 represents transactions between the subsidiaries and the parent company.

3 represents transactions between subsidiaries.

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the year 2020 (excluding information on investees in Mainland China):

Unit: In thousands of TWD and USD and thousand shares

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			The highest holdings in the period		Net Income (Losses) of the Investee	Investment Income (losses)	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value	Shares	Percentage of Ownership			
The Company	Arcadyan Holding	British Virgin Islands	Investment activities	2,359,732	2,064,032	69,780	100%	2,240,149	69,780	100 %	95,019	95,019	Note 2、4
The Company	Arcadyan USA	USA	Selling of wireless networking products	23,055	23,055	1	100%	91,507	1	100 %	62,073	62,073	"
The Company	Arcadyan Germany	Germany	Selling and technical support of wireless networking products	1,125	1,125	0.5	100%	76,874	0.5	100 %	5,667	5,667	"
The Company	Arcadyan Korea	Korea	Selling of wireless networking products	2,879	2,879	20	100%	13,858	20	100 %	6,446	6,446	"
The Company and ZHI-BAO	Arcadyan Brasil	Brasil	Selling of wireless networking products	81,593	81,593	968	100%	(16,192)	968	100 %	(10,717)	(10,717)	"
The Company	ZHI-BAO	Taipei City	Investment activities	48,000	48,000	34,980	100%	423,997	34,980	100 %	9,632	9,632	"
The Company	TTI	Taipei City	Research and development, and selling digital home appliance	308,726	308,726	25,028	61%	503,434	25,028	61 %	(193,291)	(117,992)	"
The Company	AcBel Telecom	Taipei City	Investment activities	23,000	23,000	4,494	51%	32,700	4,494	51 %	(16,432)	(8,393)	"
The Company	Arcadyan UK	England	Technical support of wireless networking products	1,988	1,988	50	100%	3,555	50	100 %	446	446	"
The Company	Arcadyan AU	Australia	Selling of wireless networking products	1,161	1,161	50	100%	46,106	50	100 %	9,619	9,619	"
The Company	Arcadyan RU	Russia	Selling of wireless networking products	2,492	-	-	100%	2,142	-	100 %	(243)	(243)	"
The Company	CBN	Hsinchu City	Manufacturing and selling of broadband network products	11,925	11,925	533	1%	13,204	533	1 %	46,723	372	Note 3
Arcadyan Holding	Sinoprime	British Virgin Islands	Investment activities	542,544 (USD19,050)	257,744 (USD9,050)	19,050	100%	453,544 (USD15,925)	19,050	100 %	(10,815) (USD(366))	Investment gain(losses) recognized by Arcadyan Holding	Note 2、4
"	Arch Holding	British Virgin Islands	Investment activities	313,593 (USD11,011)	313,593 (USD11,011)	35	100%	886,668 (USD31,133)	35	100 %	62,526 (USD2,116)	"	"
Sinoprime	Arcadyan Vietnam	Vietnam	Manufacturing of wireless networking products	541,120 (USD19,000)	256,320 (USD9,000)	-	100%	449,357 (USD15,778)	-	100 %	(10,815) (USD(366))	Investment gain(losses) recognized by Sinoprime	"
TTI	Quest	Samoa	Investment activities	34,176 (USD1,200)	34,176 (USD1,200)	1,200	100%	32,776	1,200	100 %	(59,064)	Investment gain(losses) recognized by TTI	"
TTI	TTJC	Japan	Selling digital home appliance	9,626	4,130	0.7	100%	5,947	0.7	100 %	(1,588)	"	"

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			The highest holdings in the period		Net Income (Losses) of the Investee	Investment Income (losses)	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value	Shares	Percentage of Ownership			
Quest	Exquisite	Samoa	Investment activities	33,322 (USD1,170)	33,322 (USD1,170)	1,170	100%	19,908 (USD699)	1,170	100 %	(59,068) (USD1,999)	Investment gain(losses) recognized by Quest	Note 2 - 4
AcBel Telecom	Leading Images	British Virgin Islands	Investment activities	-	1,424 (USD50)	-	-%	-	50	100 %	(14,432)	Investment gain(losses) recognized by AcBel Telecom	Note 2 - 4 - 5
Leading Images	Astoria GmbH	Germany	Selling of wireless networking products	-	874 (EUR25)	-	-%	-	25	100 %	(768) (USD26)	Investment gain (losses) recognized by Leading Images	Note 2 - 4 - 6
ZHI-BAO	CBN	Hsinchu City	Manufacturing and selling of broadband network products	36,272	36,272	13,140	19.63%	325,386	13,140	19.66 %	46,723	Investment gain (losses) recognized by ZHI-BAO	Note 3

Note 1: The amounts in New Taiwan Dollars were translated at the exchange rate of \$US29.549 / EUR\$33.709 based on the yearly average exchange rate for net income(losses) of the investees, others were translated at the exchange rate of US\$28.48/EUR\$34.94 based on the year-end date.

Note 2: The Group has owner control.

Note 3: The Group has significant influence.

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

Note 5: The liquidation procedures had been completed on December 7, 2020.

Note 6: The liquidation procedures had been completed on October 14, 2020.

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars US Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Highest balance during the year		Investment income (losses)	Book value	Accumulated remittance of earnings in current period	Note
					Outflow	Inflow				Shares	Percentage of ownership (%)				
SVA	Research and sale of wireless networking products	373,088 (USD13,100)	note 1	(Note 4) 524,602 (USD18,420)	-	-	524,602 (USD18,420)	35,282 (USD1,194)	100%	-	100%	35,282 (USD1,194)	164,728 (USD5,784)	-	Note 3
CNC	Manufacturing of wireless networking products	354,576 (USD12,450)	"	(Note 5) 313,593 (USD11,011)	-	-	313,593 (USD11,011)	62,526 (USD2,116)	100%	-	100%	62,526 (USD2,116)	886,668 (USD31,133)	-	"
TCH	Manufacturing of household electronics products	95,408 (USD3,350)	notes 1 and 7	32,752 (USD1,150)	-	-	32,752 (USD1,150)	(59,068) (USD1,999)	100%	-	100%	(59,068) (USD1,999)	19,423 (USD682)	-	"

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

Note 2: The amounts in New Taiwan Dollars were translated at the exchange rate of \$US29.549 based on the yearly average exchange rate for net income(losses) of the investees, others were translated at the exchange rate of US\$28.48 based on the year-end date.

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

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

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

Note 6: SVA decreased its capital amounting to US\$15,000 thousands to offset its accumulated losses in March 2009.

Note 7: The Company's subsidiary, TTI, obtained control over TCH for US\$1,150 thousands on February 28, 2013 (base date of stock transferring).

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
870,947 (USD30,581)	870,947 (USD30,581)	6,965,617

Note : The amounts in New Taiwan Dollars were translated at the exchange rate of \$28.48 on December 31, 2020.

- (iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China for the year ended December 31, 2020, which were eliminated in the preparation of consolidated financial statements, are disclosed in “Information on significant transactions”.

- (d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Compal Electronics Inc.		41,304,504	19.81 %

(14) Segment information:

- (a) General information

The Group's reportable segments are the networking product segment and the digital set-top box product segment. The networking product segment is primarily engaged in the research, development, manufacture and sale of wireless networking products, integrated access devices, digital home multimedia devices and mobile broadband products. The digital set-top box product segment is primarily engaged in the research, development, and sale of set-top boxes and related products. The above segments are managed independently, thus they are single operating segments.

- (b) Reportable segments and operating segment information

Accounting policies for the operating segments correspond to those stated in note 4.

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The operating segment information was as follows:

	For the year ended December 31, 2020			
	Networking Product Segment	Digital Set Top Box Product Segment	Adjustment & Elimination	Total
Revenue				
Revenue from external customers \$	32,249,783	1,515,512	-	33,765,295
Revenue from segments	61,886	-	(61,886)	-
Interest revenue	44,504	1,110	-	45,614
Total revenue	\$ 32,356,173	1,516,622	(61,886)	33,810,909
Interest expense	40,214	6,196	-	46,410
Depreciation and amortization	443,846	74,133	-	517,979
Share of investment in associates by equity method	9,551	-	-	9,551
Gain on disposals of investments	985	-	-	985
Reportable segment profit	\$ 2,540,985	(202,635)	-	2,338,350
	For the year ended December 31, 2019			
	Networking Product Segment	Digital Set Top Box Product Segment	Adjustment & Elimination	Total
Revenue				
Revenue from external customers \$	26,128,463	6,769,437	-	32,897,900
Revenue from segments	170,204	-	(170,204)	-
Interest revenue	67,283	3,616	-	70,899
Total revenue	\$ 26,365,950	6,773,053	(170,204)	32,968,799
Interest expense	51,569	4,992	-	56,561
Depreciation and amortization	360,018	68,100	-	428,118
Share of investment in associates by equity method	2,172	-	-	2,172
Reportable segment profit	\$ 1,540,881	161,943	-	1,702,824

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Products information

Please refer to note (6)(u) for information of revenue from external customers.

(d) Geographic information

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

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

(ii) Non-current assets:

<u>Country</u>	<u>2020</u>	<u>2019</u>
Taiwan	\$ 1,818,644	1,694,265
Mainland China	722,705	527,444
Others	<u>824,860</u>	<u>449,989</u>
	<u>\$ 3,366,209</u>	<u>2,671,698</u>

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

(e) Major customers information

	<u>2020</u>	<u>2019</u>
Customer:		
K Company from Networking products segments and digital set-top-box products segments	\$ 6,243,695	1,270,848
F Company from Networking products segments and digital set-top-box products segments	1,195,532	6,229,683
J Company from Networking products segments and digital set-top-box products segments	<u>3,830,498</u>	<u>3,080,082</u>
	<u>\$ 11,269,725</u>	<u>10,580,613</u>