

**ARCADYAN TECHNOLOGY CORPORATION AND
SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2021 and 2020**

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

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Independent Auditors' Review Report

To the Board of Directors of Arcadyan Technology Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheets of Arcadyan Technology Corporation and its subsidiaries as of March 31, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standard 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note (4)(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$2,475,350 thousand and \$3,965,960 thousand, constituting 8% and 15% of consolidated total assets as of March 31, 2021 and 2020, respectively, total liabilities amounting to \$479,064 thousand and \$449,383 thousand, constituting 2% and 3% of consolidated total liabilities as of March 31, 2021 and 2020, respectively, and total comprehensive income(loss) amounting to \$6,219 thousand and \$(67,697) thousand, constituting 1% and (20)% of consolidated total comprehensive income (loss) for the three months ended March 31, 2021 and 2020, respectively.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Arcadyan Technology Corporation and its subsidiaries as of March 31, 2021 and 2020, and of its consolidated financial performance audits consolidated cash flows for the three months ended March 31, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)

May 6, 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2021 and 2020

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2021, December 31, 2020, and March 31, 2020

(Expressed in Thousands of New Taiwan Dollars)

		March 31, 2021		December 31, 2020		March 31, 2020				March 31, 2021		December 31, 2020		March 31, 2020	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Assets															
Current assets:															
1100	Cash and cash equivalents (note (6)(a))	\$ 9,341,072	30	9,079,768	32	7,228,790	28	2100	Short-term borrowings (note (6)(k))	\$ 310,000	1	707,795	3	2,191,824	8
1110	Current financial assets at fair value through profit or loss (note (6)(b))	163,385	1	272,743	1	26,587	-	2120	Current financial liabilities at fair value through profit or loss (note (6)(b))	28,142	-	54,417	-	8,378	-
1139	Current financial assets for hedging (note (6)(d))	7,557	-	-	-	73,688	-	2126	Current financial liabilities for hedging (note (6)(d))	-	-	2,192	-	-	-
1170	Notes and accounts receivable, net (notes (6)(e) and (u))	6,976,663	22	6,912,464	24	6,292,226	24	2171	Accounts payable (including related parties) (note (7))	12,041,745	39	10,334,606	36	7,940,838	30
1200	Other receivables (notes (6)(e) and (w))	155,299	1	160,521	1	168,102	1	2200	Other payables (including related parties) (note (7))	2,765,583	9	2,575,046	9	1,482,415	6
1310	Inventories, net (note (6)(f))	9,792,585	32	8,026,596	28	8,220,485	32	2216	Dividends payable	1,354,448	4	11	-	979,887	4
1410	Prepayments	156,785	1	145,188	-	159,049	1	2230	Current tax liabilities	487,824	2	395,660	1	714,937	3
1470	Other current assets (note (8))	137,938	-	124,642	-	134,233	-	2250	Current provisions (note (6)(o))	713,827	3	659,377	2	656,206	3
		<u>26,731,284</u>	<u>87</u>	<u>24,721,922</u>	<u>86</u>	<u>22,303,160</u>	<u>86</u>	2280	Current lease liabilities (notes (6)(n) and (7))	84,262	-	83,370	-	41,776	-
								2300	Other current liabilities (note (6)(l))	692,279	2	556,454	2	170,441	1
										<u>18,478,110</u>	<u>60</u>	<u>15,368,928</u>	<u>53</u>	<u>14,186,702</u>	<u>55</u>
Non-current assets:															
1550	Investments accounted for using equity method (note (6)(g))	337,673	1	338,590	1	348,288	1	Non-Current liabilities:							
1511	Non-current financial assets at fair value through profit or loss (note (6)(b))	41,879	-	42,840	-	42,384	-	2530	Bonds payable (note (6)(m))	979,546	3	980,219	4	969,905	4
1517	Non-current financial assets at fair value through other comprehensive income (note (6)(c))	31,663	-	31,135	-	49,500	-	2570	Deferred tax liabilities (note (6)(q))	101,352	-	97,445	-	72,978	-
1600	Property, plant and equipment (note (6)(h))	2,763,815	9	2,518,009	9	2,300,766	9	2580	Non-current lease liabilities (note (6)(n))	280,777	1	297,446	1	9,112	-
1755	Right-of-use assets (notes (6)(i) and (7))	699,730	2	723,424	3	442,880	2	2640	Non-current net defined benefit liability (note (6)(p))	98,608	-	99,119	-	94,400	-
1780	Intangible assets (note (6)(j))	71,090	-	75,300	-	70,424	-	2670	Other non-current liabilities	30,695	-	2,073	-	1,601	-
1840	Deferred tax assets (note (6)(q))	310,750	1	306,530	1	368,853	1			<u>1,490,978</u>	<u>4</u>	<u>1,476,302</u>	<u>5</u>	<u>1,147,996</u>	<u>4</u>
1900	Other non-current assets	66,659	-	49,476	-	123,587	1		Total liabilities	<u>19,969,088</u>	<u>64</u>	<u>16,845,230</u>	<u>58</u>	<u>15,334,698</u>	<u>59</u>
		<u>4,323,259</u>	<u>13</u>	<u>4,085,304</u>	<u>14</u>	<u>3,746,682</u>	<u>14</u>	Equity attributable to owners of parent (notes (6)(m), (r) and (s)):							
								3110	Ordinary share	2,084,245	7	2,084,095	8	2,084,830	8
								3200	Capital surplus	3,457,084	11	3,661,594	13	3,661,755	14
								3300	Retained earnings	5,414,543	17	6,106,197	21	4,658,280	18
								3410	Exchange differences on translation of foreign financial statements	(176,322)	-	(176,362)	(1)	(87,959)	-
								3420	Unrealized gain or loss on financial assets at fair value through other comprehensive income	(17,837)	-	(18,365)	-	-	-
								3450	Gain(loss) on hedging instrument	7,557	-	(2,192)	-	63,952	-
								3491	Unearned employee benefit	(37,462)	-	(45,606)	-	(97,411)	-
										<u>10,731,808</u>	<u>35</u>	<u>11,609,361</u>	<u>41</u>	<u>10,283,447</u>	<u>40</u>
								3600	Non-controlling interests	<u>353,647</u>	<u>1</u>	<u>352,635</u>	<u>1</u>	<u>431,697</u>	<u>1</u>
									Total equity	<u>11,085,455</u>	<u>36</u>	<u>11,961,996</u>	<u>42</u>	<u>10,715,144</u>	<u>41</u>
Total assets		<u>\$ 31,054,543</u>	<u>100</u>	<u>28,807,226</u>	<u>100</u>	<u>26,049,842</u>	<u>100</u>	Total liabilities and equity		<u>\$ 31,054,543</u>	<u>100</u>	<u>28,807,226</u>	<u>100</u>	<u>26,049,842</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2021 and 2020

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

		<u>For the three months ended March 31,</u>			
		<u>2021</u>		<u>2020</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenues (notes (6)(u) and (7)):	\$ 9,624,815	100	7,143,015	100
5000	Operating costs (notes (6)(f), (6)(p), (7) and (12))	<u>8,268,074</u>	<u>86</u>	<u>6,095,140</u>	<u>85</u>
	Gross profit from operating	<u>1,356,741</u>	<u>14</u>	<u>1,047,875</u>	<u>15</u>
	Operating expenses (notes (6)(p), (7) and (12)):				
6100	Selling expenses	146,795	2	124,970	2
6200	Administrative expenses	105,474	1	122,081	2
6300	Research and development expenses	<u>488,295</u>	<u>5</u>	<u>372,364</u>	<u>5</u>
	Total operating expenses	<u>740,564</u>	<u>8</u>	<u>619,415</u>	<u>9</u>
	Net operating income	<u>616,177</u>	<u>6</u>	<u>428,460</u>	<u>6</u>
	Non-operating income and expenses:				
7100	Interest income	16,535	-	14,825	-
7190	Other income	2,654	-	10,329	-
7225	Gains on disposals of investments	-	-	985	-
7230	Foreign exchange gains(losses), net (note (6)(w))	(97,123)	(1)	(8,472)	-
7235	Gains on financial assets (liabilities) at fair value through profit or loss (notes (6)(b) and (d))	55,959	1	24,382	-
7370	Share of profit of associates and joint ventures accounted for using equity method (note (6)(g))	(713)	-	47	-
7510	Interest expense (notes (6)(m) and (n))	<u>(9,264)</u>	<u>-</u>	<u>(14,350)</u>	<u>-</u>
		<u>(31,952)</u>	<u>-</u>	<u>27,746</u>	<u>-</u>
	Profit from continuing operations before tax	584,225	6	456,206	6
7950	Less: Income tax expenses (note (6)(q))	<u>128,798</u>	<u>1</u>	<u>209,679</u>	<u>3</u>
	Profit	<u>455,427</u>	<u>5</u>	<u>246,527</u>	<u>3</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note (6)(c))	528	-	-	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(q))	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>528</u>	<u>-</u>	<u>-</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	167	-	9,268	-
8368	Gains (losses) on hedging instrument (note (6)(d))	9,749	-	78,559	1
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))	(91)	-	(9)	-
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note (6)(q))	<u>34</u>	<u>-</u>	<u>1,853</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>9,791</u>	<u>-</u>	<u>85,965</u>	<u>1</u>
8300	Other comprehensive income	<u>10,319</u>	<u>-</u>	<u>85,965</u>	<u>1</u>
	Total comprehensive income	<u>\$ 465,746</u>	<u>5</u>	<u>332,492</u>	<u>4</u>
	Profit, attributable to:				
	Owners of parent	\$ 454,417	5	261,054	3
	Non-controlling interests	<u>1,010</u>	<u>-</u>	<u>(14,527)</u>	<u>-</u>
		<u>\$ 455,427</u>	<u>5</u>	<u>246,527</u>	<u>3</u>
	Comprehensive income attributable to:				
	Owners of parent	\$ 464,734	5	337,090	4
	Non-controlling interests	<u>1,012</u>	<u>-</u>	<u>(4,598)</u>	<u>-</u>
		<u>\$ 465,746</u>	<u>5</u>	<u>332,492</u>	<u>4</u>
	Earnings per share (note (6)(t))				
9750	Basic earnings per share	<u>\$ 2.20</u>		<u>1.28</u>	
9850	Diluted earnings per share	<u>\$ 2.06</u>		<u>1.21</u>	

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Equity
For the three months ended March 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											Non-controlling interests	Total equity	
	Retained earnings						Total other equity interest							
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Unearned employee benefit and others	Total other equity interest			Total equity attributable to owners of parent
Balance at January 1, 2020	\$ 2,085,350	3,703,916	850,544	53,684	4,431,172	5,335,400	(95,172)	-	(4,871)	(119,897)	(219,940)	10,904,726	436,208	11,340,934
Profit for the three months ended March 31, 2020	-	-	-	-	261,054	261,054	-	-	-	-	-	261,054	(14,527)	246,527
Other comprehensive income for the three months ended March 31, 2020	-	-	-	-	-	-	7,213	-	68,823	-	76,036	76,036	9,929	85,965
Comprehensive income for the three months ended March 31, 2020	-	-	-	-	261,054	261,054	7,213	-	68,823	-	76,036	337,090	(4,598)	332,492
Appropriation and distribution of retained earnings:														
Cash dividends of ordinary share	-	-	-	-	(938,174)	(938,174)	-	-	-	-	-	(938,174)	-	(938,174)
Cash dividends from capital surplus	-	(41,696)	-	-	-	-	-	-	-	-	-	(41,696)	-	(41,696)
Disposal of subsidiaries or investments accounted for using equity method	-	(985)	-	-	-	-	-	-	-	-	-	(985)	-	(985)
Share-based payments transactions	(520)	520	-	-	-	-	-	-	-	22,486	22,486	22,486	-	22,486
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	87	87
Balance at March 31, 2020	\$ 2,084,830	3,661,755	850,544	53,684	3,754,052	4,658,280	(87,959)	-	63,952	(97,411)	(121,418)	10,283,447	431,697	10,715,144
Balance at January 1, 2021	\$ 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
Profit for the three months ended March 31, 2021	-	-	-	-	454,417	454,417	-	-	-	-	-	454,417	1,010	455,427
Other comprehensive income for the three months ended March 31, 2021	-	-	-	-	-	-	40	528	9,749	-	10,317	10,317	2	10,319
Comprehensive income for the three months ended March 31, 2021	-	-	-	-	454,417	454,417	40	528	9,749	-	10,317	464,734	1,012	465,746
Appropriation and distribution of retained earnings:														
Cash dividends of ordinary share	-	-	-	-	(1,146,071)	(1,146,071)	-	-	-	-	-	(1,146,071)	-	(1,146,071)
Cash dividends from capital surplus	-	(208,377)	-	-	-	-	-	-	-	-	-	(208,377)	-	(208,377)
Convertible bonds converted into ordinary shares	479	3,652	-	-	-	-	-	-	-	-	-	4,131	-	4,131
Changes in equity of associates and subsidiaries accounted for using equity method	-	(114)	-	-	-	-	-	-	-	-	-	(114)	-	(114)
Share-based payment transactions	(329)	329	-	-	-	-	-	-	-	8,144	8,144	8,144	-	8,144
Balance at March 31, 2021	\$ 2,084,245	3,457,084	981,894	95,172	4,337,477	5,414,543	(176,322)	(17,837)	7,557	(37,462)	(224,064)	10,731,808	353,647	11,085,455

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31,	
	2021	2020
Cash flows from (used in) operating activities:		
Profit before tax	\$ 584,225	456,206
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	122,504	111,482
Amortization expense	8,476	8,116
Expected credit gains (losses)	2,437	(2,032)
Interest expense	9,264	14,350
Interest income	(16,535)	(14,825)
Net loss on financial assets or liabilities at fair value through profit or loss	961	1,878
Share-based payments transactions	8,144	22,573
Share of loss (profit) of associates and joint ventures accounted for using equity method	713	(47)
Losses (gains) on disposal of property, plant and equipment	9	(203)
Gains on disposal of investments accounted for using equity method	-	(985)
Others	1,025	8,884
Total adjustments to reconcile profit (loss)	136,998	149,191
Changes in operating assets and liabilities:		
Changes in financial assets or liabilities mandatorily measured at fair value through profit or loss	83,083	(8,168)
Increase in notes and accounts receivable	(66,628)	(183,596)
Decrease in other receivables	10,176	44,209
Increase in inventories	(1,765,989)	(408,761)
(Increase) decrease in prepayments	(11,597)	3,456
(Increase) decrease in other current assets	(13,296)	6,177
Increase (decrease) in accounts payable (including related parties)	1,707,139	(282,024)
Increase (decrease) in other payables (including related parties) and other current liabilities	375,134	(1,298,430)
Decrease in other operating liabilities	(511)	(511)
Total changes in operating assets and liabilities	317,511	(2,127,648)
Total adjustments	454,509	(1,978,457)
Cash inflow (outflow) generated from operations	1,038,734	(1,522,251)
Interest received	11,573	11,037
Interest paid	(5,943)	(7,732)
Income taxes paid	(36,979)	(29,560)
Net cash flows from (used in) operating activities	1,007,385	(1,548,506)
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(330,114)	(52,105)
Proceeds from disposal of property, plant and equipment	-	986
Increase in refundable deposits	(8,458)	(760)
Acquisition of intangible assets	(4,265)	(11,661)
Acquisition of right-of-use assets	-	(323,472)
Prepaid other non-current assets	(9,998)	-
Net cash flows used in investing activities	(352,835)	(387,012)
Cash flows from (used in) financing activities:		
(Decrease) increase in short-term borrowings	(397,795)	1,672,786
Increase in guarantee deposits received	28,510	-
Repayment of lease principal	(21,395)	(105,340)
Other financing activities	(11)	-
Net cash flows from (used in) financing activities	(390,691)	1,567,446
Effect of exchange rate changes on cash and cash equivalents	(2,555)	(10,697)
Net increase (decrease) in cash and cash equivalents	261,304	(378,769)
Cash and cash equivalents at beginning of period	9,079,768	7,607,559
Cash and cash equivalents at end of period	\$ 9,341,072	7,228,790

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2021 and 2020

(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 March 31, 2021 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) (b) 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 May 6, 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, 2021:

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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- (b) The impact of IFRS issued by IASB but not yet endorsed by the FSC

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

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

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”

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(4) Summary of significant accounting policies:

(a) Statement of compliance

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

Except as described in the following paragraph, the significant accounting policies used in the interim financial statement are consistent with the consolidated financial statement for the year ended December 31, 2020. For related information, please refer to note (4) of the consolidated financial statement for the year ended December 31, 2020.

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

Investor	Name of Subsidiary	Nature of operation	Percentage ownership			Description
			March 31, 2021	December 31, 2020	March 31, 2020	
The Company	Arcadyan Technology N.A. Corp. (“Arcadyan USA”)	Selling of wireless networking products	100 %	100 %	100 %	Note 1
”	Arcadyan Germany Technology GmbH (“Arcadyan Germany”)	Selling and technical support of wireless networking products	100 %	100 %	100 %	Note 2
”	Arcadyan Technology Corporation Korea (“Arcadyan Korea”)	Selling of wireless networking products	100 %	100 %	100 %	Note 2
”	Arcadyan Holding (BVI) Corp. (“Arcadyan Holding”)	Investment activities	100 %	100 %	100 %	
The Company and ZHI-BAO	Arcadyan do Brasil Ltda. (“Arcadyan Brasil”)	Selling of wireless networking products	100 %	100 %	100 %	Note 2
”	Arcadyan India Private Limited (“Arcadyan India”)	Selling of wireless networking products	100 %	- %	- %	Note 6
The Company	ZHI-BAO Technology Inc. (“ZHI-BAO”)	Investment activities	100 %	100 %	100 %	
”	Tatung Technology Inc. (“TTI”)	Research and development, and selling digital home appliance	61 %	61 %	61 %	
”	AcBel Telecom Inc. (“AcBel Telecom”)	Investment activities	51 %	51 %	51 %	Note 2
”	Arcadyan Technology Limited (“Arcadyan UK”)	Technical support of wireless networking products	100 %	100 %	100 %	Note 2

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Name of Subsidiary	Nature of operation	Percentage ownership			Description
			March 31, 2021	December 31, 2020	March 31, 2020	
The Company	Arcadyan Technology Australia Pty Ltd ("Arcadyan AU")	Selling of wireless networking products	100 %	100 %	100 %	Note 2
"	Arcadyan Technology Corporation (Russia), LLC. ("Arcadyan RU")	Selling of wireless networking products	100 %	100 %	- %	Note 2, 3
Arcadyan Holding	Sinoprime Global Inc. ("Sinoprime")	Investment activities	100 %	100 %	100 %	Note 2
"	Arcadyan Technology (Shanghai) Corp. ("SVA")	Research and sale of wireless networking products	100 %	100 %	100 %	
"	Arch Holding (BVI) Corp. ("Arch Holding")	Investment activities	100 %	100 %	100 %	
Arch Holding	Compal Networking (Kunshan) Co., Ltd. ("CNC")	Manufacturing of wireless networking products	100 %	100 %	100 %	
Sinoprime	Arcadyan Technology (Vietnam) Co., Ltd. ("Arcadyan Vietnam")	Manufacturing of wireless networking products	100 %	100 %	100 %	Note 2
TTI	Quest International Group Co., Ltd. ("Quest")	Investment activities	100 %	100 %	100 %	
TTI	Tatung Technology of Japan Co., Ltd. ("TTJC")	Selling digital home appliance	100 %	100 %	100 %	
Quest	Exquisite Electronic Co., Ltd. ("Exquisite")	Investment activities	100 %	100 %	100 %	
Exquisite	Tatung Home Appliances (Wujiang) Co., Ltd. ("TCH")	Manufacturing of household electronics products	100 %	100 %	100 %	
AcBel Telecom	Leading Images Ltd. ("Leading Images")	Investment activities	- %	- %	100 %	Note 2, 4
Leading Images	Astoria Networks GmbH ("Astoria GmbH")	Selling of wireless networking products	- %	- %	100 %	Note 2, 5

Note 1: Arcadyan USA has been as a material subsidiary since the first quarter of 2021, but its financial statement for the first quarter of 2020 has not been reviewed by the auditors.

Note 2: It is a non-material subsidiary and its financial statement has not been reviewed by the auditor.

Note 3: The subsidiary was incorporated on June 2, 2020.

Note 4: The liquidation procedures had been completed on December 7, 2020.

Note 5: The liquidation procedures had been completed on October 14, 2020.

Note 6: The subsidiary was incorporated on March 25, 2021, but the capital has not been funded.

(c) **Income Taxes**

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

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

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

(d) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year.

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

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

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2020. For related information, please refer to note (5) of the consolidated financial statements for the year ended December 31, 2020.

(6) Explanation of significant accounts:

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2020 consolidated financial statements. Please refer to Note (6) of the 2020 annual consolidated financial statements.

(a) Cash and cash Equivalents

	March 31, 2021	December 31, 2020	March 31, 2020
Cash on hand	\$ 2,231	2,196	1,974
Checking accounts and demand deposits	3,094,974	3,302,965	2,454,509
Time deposits	<u>6,243,867</u>	<u>5,774,607</u>	<u>4,772,307</u>
	<u>\$ 9,341,072</u>	<u>9,079,768</u>	<u>7,228,790</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.

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(i) Details are as follows:

	<u>March 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>March 31,</u> <u>2020</u>
Current financial assets mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging			
Foreign exchange forward contracts	\$ 32,692	-	17,606
Foreign exchange swaps contracts	-	11,069	8,981
Non derivative financial assets:			
Structured deposits	<u>130,693</u>	<u>261,674</u>	<u>-</u>
Total	<u>\$ 163,385</u>	<u>272,743</u>	<u>26,587</u>
Non-current financial assets mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets:			
Fund unlisted on domestic markets	<u>\$ 41,879</u>	<u>42,840</u>	<u>42,384</u>
Held-for-trading financial liabilities:			
Derivative instruments not used for hedging:			
Foreign exchange forward contracts	\$ -	48,665	2,145
Foreign exchange swaps contracts	<u>28,142</u>	<u>5,752</u>	<u>6,233</u>
Total	<u>\$ 28,142</u>	<u>54,417</u>	<u>8,378</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 financial assets mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities:

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	March 31, 2021		
	Contract amount (in thousands)	Currency	Maturity date
Derivative financial assets:			
Forward contracts:			
Foreign exchange forward	EUR 30,000	Sell EUR / USD	April 14, 2021~ June 29, 2021
Foreign exchange forward	USD 800	Buy USD / BRL	August 26, 2021
Derivative financial liabilities:			
Swap contracts:			
Foreign exchange swaps	USD 82,500	B/S USD / TWD	April 13, 2021~ June 18, 2021
	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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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	March 31, 2020		
	Contract amount (in thousands)	Currency	Maturity date
Derivative financial assets:			
Forward contracts:			
Foreign exchange forward	EUR 12,000	Sell EUR / USD	April 14, 2020~ June 29, 2020
Foreign exchange forward	EUR 6,000	Sell EUR / NTD	April 14, 2020~ April 27, 2020
Foreign exchange forward	USD 518	Buy USD / MXN	May 28, 2020
Foreign exchange forward	USD 1,000	Buy USD / BRL	September 23, 2020
Swap contracts:			
Foreign exchange swaps	USD 64,000	B/S USD / TWD	April 14, 2020~ October 14, 2020
Derivative financial liabilities:			
Forward contracts:			
Foreign exchange forward	EUR 10,000	Sell EUR / USD	April 29, 2020~ May 28, 2020
Foreign exchange forward	USD 1,643	Buy USD / MXN	June 29, 2020
Swap contracts:			
Foreign exchange swaps	USD 47,000	B/S USD / TWD	April 13, 2020~ June 29, 2020

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

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

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

	March 31, 2021	December 31, 2020	March 31, 2020
Equity investments at fair value through other comprehensive income:			
Stock unlisted on domestic markets	\$ 31,663	31,135	49,500

- (i) For the three months ended March 31, 2021 and 2020, the above-mentioned equity was measured at fair value and recognized a unrealized gain \$528 and \$0, respectively, under other comprehensive income.

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (ii) There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments for the three months ended March 31, 2021 and 2020.
- (iii) Please refer to note (6)(w) for market risk.
- (iv) The Group did not provide any aforementioned financial assets as collaterals.
- (d) Derivative financial instruments used for hedging
- (i) Financial assets and liabilities used for hedging were as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Cash flow hedge:			
Financial assets used for hedging:			
Foreign exchange forward contracts	\$ <u>7,557</u>	<u>-</u>	<u>73,688</u>
Financial liabilities used for hedging:			
Foreign exchange forward contracts	<u>-</u>	<u>2,192</u>	<u>-</u>

- (ii) Cash flow hedge—foreign exchange risk

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

As of March 31, 2021, December 31 and March 31, 2020, the amounts relating to the items designated as hedging instruments were as follows:

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

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	March 31, 2020			
	Contract amount (in thousands)	Currency	Maturity date	Average strike price
Derivative financial assets used for hedging				
Forward contracts:				
Foreign exchange forward	EUR 71,000	Sell EUR / USD	April 27, 2020~ December 29, 2020	1.1390

(iii) Adjustments on reclassification from other comprehensive income

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

	For the three months ended March 31,	
	2021	2020
Cash flow hedge		
Profit in current year	\$ 11,975	102,544
Less: Net income (loss) of adjustments on reclassification from other comprehensive income which belongs to net income	<u>2,226</u>	<u>23,985</u>
Net profit recognized in other comprehensive income	<u><u>\$ 9,749</u></u>	<u><u>78,559</u></u>

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

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

(e) Notes and accounts receivable

	March 31, 2021	December 31, 2020	March 31, 2020
Notes receivable from operating activities	\$ 18,029	35,210	75,075
Accounts receivable – measured at amortized cost	6,708,328	6,805,430	5,901,424
Accounts receivable – fair value through other comprehensive income	<u>279,566</u>	<u>98,655</u>	<u>353,969</u>
	7,005,923	6,939,295	6,330,468
Less: allowance for uncollectible accounts	<u>(29,260)</u>	<u>(26,831)</u>	<u>(38,242)</u>
	<u><u>\$ 6,976,663</u></u>	<u><u>6,912,464</u></u>	<u><u>6,292,226</u></u>

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 were measured at fair value through other comprehensive income.

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking macroeconomic information. The expected credit losses as of March 31, 2021, December 31 and March 31, 2020 were determined as follows:

March 31, 2021				
Credit rating	Gross carrying amount	Weighted-average loss rate	Loss allowance provision	Credit impaired
Level A	\$ 2,632,376	0%	-	No
Level B	3,660,773	0.10%	3,700	No
Level C	694,186	1.00%	6,972	No
Level D	-	-	-	-
Level E	18,588	100%	18,588	Yes
Total	<u>\$ 7,005,923</u>		<u>29,260</u>	
December 31, 2020				
Credit rating	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>	
March 31, 2020				
Credit rating	Gross carrying amount	Weighted-average loss rate	Loss allowance provision	Credit impaired
Level A	\$ 2,380,312	0%	-	No
Level B	3,416,386	0.10%	3,482	No
Level C	504,050	1.00%	5,040	No
Level D~E	-	-	-	-
Level F	29,720	100%	29,720	Yes
Total	<u>\$ 6,330,468</u>		<u>38,242</u>	

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	March 31, 2021	December 31, 2020	March 31, 2020
Overdue 1~30 days	\$ 301,103	402,324	433,636
Overdue 31~60 days	72,717	97,957	50,689
Overdue 61~90 days	20,154	4,221	20,186
Overdue 91~180 days	3,335	97,954	35,265
Overdue over 181 days	<u>18,588</u>	<u>122,850</u>	<u>29,805</u>
	<u>\$ 415,897</u>	<u>725,306</u>	<u>569,581</u>

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

	For the three months ended March 31,	
	2021	2020
Balance at January 1	\$ 26,831	40,275
Impairment loss recognized (reversed)	<u>2,429</u>	<u>(2,033)</u>
Balance at March 31	<u>\$ 29,260</u>	<u>38,242</u>

As of March 31, 2021, December 31 and March 31, 2020, the Group did not provide any aforementioned notes and accounts receivable as collaterals.

The Group entered into accounts receivable factoring agreements with banks. Based on the agreements, the Group is not responsible for guaranteeing the ability of the accounts receivable of the obligor to make payment when it is affected by credit risk. Thus, this is deemed as a non-recourse accounts receivable factoring. After the transfer of the accounts receivable, the Group can request for the partial proceeds stipulated in the agreements, while the interest calculated at an agreed rate is paid to the bank until the accounts receivable is paid. The remaining amounts are received when the accounts receivable are paid by the customers.

As of March 31, 2021, December 31 and March 31, 2020, there were unreceived balances of transferred accounts receivable amounted to \$28,237, \$42,550 and \$22,579 respectively, which were recognized under other receivables. The details of the derecognized account receivables were as follows:

March 31, 2021							
Purchaser	Accounts receivable factored (gross)	Amount Unpaid	Advanced Paid	Amount Recognized in other receivables	Collateral	Amount derecognized	Interest rate
Financial institutions	\$ <u>245,883</u>	<u>-</u>	<u>217,646</u>	<u>28,237</u>	None	<u>245,883</u>	0.64%

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2020							
Purchaser	Accounts receivable factored (gross)	Amount Unpaid	Advanced Paid	Amount Recognized in other receivables	Collateral	Amount derecognized	Interest rate
Financial							
institutions	\$ <u>410,175</u>	-	<u>367,625</u>	<u>42,550</u>	None	<u>410,175</u>	0.64%~0.69%
March 31, 2020							
Purchaser	Accounts receivable factored (gross)	Amount Unpaid	Advanced Paid	Amount Recognized in other receivables	Collateral	Amount derecognized	Interest rate
Financial							
institutions	\$ <u>204,904</u>	-	<u>182,325</u>	<u>22,579</u>	None	<u>204,904</u>	0.64%

(f) Inventories

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

	March 31, 2021	December 31, 2020	March 31, 2020
Raw materials	\$ 5,337,370	3,620,329	4,626,941
Work in progress	653,291	467,329	871,590
Finished goods	<u>3,801,924</u>	<u>3,938,938</u>	<u>2,721,954</u>
	<u>\$ 9,792,585</u>	<u>8,026,596</u>	<u>8,220,485</u>

(ii) Inventory cost recognized as cost of sales for the three months ended March 31, 2021 and 2020 were as follows:

	For the three months ended March 31,	
	2021	2020
Cost of sales	\$ 8,263,030	5,962,222
Provision for inventory valuation and obsolescence loss	<u>5,044</u>	<u>132,918</u>
	<u>\$ 8,268,074</u>	<u>6,095,140</u>

(iii) As of March 31, 2021, December 31 and March 31, 2020, the Group did not provide any inventories as collaterals.

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(g) Investments accounted for using equity method

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Carrying amount of the Group's interests in all individually insignificant associates equity	\$ <u>337,673</u>	<u>338,590</u>	<u>348,288</u>

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

	<u>For the three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Attributed to the Group:		
Profit (loss) from continuing operations	\$ (713)	47
Other comprehensive income (loss)	<u>(91)</u>	<u>(9)</u>
Total comprehensive income	<u>\$ (804)</u>	<u>38</u>

- (ii) As of March 31, 2021, December 31 and March 31, 2020, the Group did not provide any investment accounted for using equity method as collaterals.

(h) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group for the three months ended March 31, 2021 and 2020 were as follow:

	<u>Land</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Research and development equipment</u>	<u>Mold equipment</u>	<u>Leasehold improvement and other equipment</u>	<u>Under construction and prepayment for purchase of equipment</u>	<u>Total</u>
Cost or deemed cost:								
Balance at January 1, 2021	\$ 463,262	828,128	2,196,610	587,071	212,438	723,336	28,249	5,039,094
Additions	-	-	119,464	17,810	792	166,450	31,413	335,929
Reclassifications	-	-	-	1,666	-	4,762	(6,428)	-
Disposals and derecognitions	-	-	(22,134)	(2,449)	(5,275)	(1,780)	-	(31,638)
Effect of movements in exchange rates	-	-	4,282	41	10	1,329	97	5,759
Balance at March 31, 2021	<u>\$ 463,262</u>	<u>828,128</u>	<u>2,298,222</u>	<u>604,139</u>	<u>207,965</u>	<u>894,097</u>	<u>53,331</u>	<u>5,349,144</u>
Balance at January 1, 2020	\$ 463,262	828,128	2,265,052	500,399	250,837	429,543	41,873	4,779,094
Additions	-	-	3,803	22,761	3,905	28,173	9,351	67,993
Reclassifications	-	-	-	9,112	-	(24)	(23,801)	(14,713)
Disposals and derecognitions	-	-	(7,457)	-	(20,469)	(6,555)	-	(34,481)
Effect of movements in exchange rates	-	-	24,724	90	63	714	97	25,688
Balance at March 31, 2020	<u>\$ 463,262</u>	<u>828,128</u>	<u>2,286,122</u>	<u>532,362</u>	<u>234,336</u>	<u>451,851</u>	<u>27,520</u>	<u>4,823,581</u>

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	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
Depreciation:								
Balance at January 1, 2021	\$ -	98,676	1,562,332	383,779	176,630	299,668	-	2,521,085
Depreciation	-	4,267	50,144	14,717	4,170	19,069	-	92,367
Reclassifications	-	-	-	-	-	-	-	-
Disposals and derecognitions	-	-	(22,128)	(2,448)	(5,274)	(1,779)	-	(31,629)
Effect of movements in exchange rates	-	-	3,262	9	5	230	-	3,506
Balance at March 31, 2021	<u>\$ -</u>	<u>102,943</u>	<u>1,593,610</u>	<u>396,057</u>	<u>175,531</u>	<u>317,188</u>	<u>-</u>	<u>2,585,329</u>
Balance at January 1, 2020	\$ -	81,608	1,567,053	340,118	219,941	257,796	-	2,466,516
Depreciation	-	4,267	51,268	11,502	4,082	10,693	-	81,812
Reclassifications	-	-	-	-	-	(12)	-	(12)
Disposals and derecognitions	-	-	(7,457)	-	(20,462)	(5,779)	-	(33,698)
Effect of movements in exchange rates	-	-	7,916	(93)	7	367	-	8,197
Balance at March 31, 2020	<u>\$ -</u>	<u>85,875</u>	<u>1,618,780</u>	<u>351,527</u>	<u>203,568</u>	<u>263,065</u>	<u>-</u>	<u>2,522,815</u>
Carrying amounts:								
Balance at March 31, 2021	<u>\$ 463,262</u>	<u>725,185</u>	<u>704,612</u>	<u>208,082</u>	<u>32,434</u>	<u>576,909</u>	<u>53,331</u>	<u>2,763,815</u>
Balance at January 1, 2021	<u>\$ 463,262</u>	<u>729,452</u>	<u>634,278</u>	<u>203,292</u>	<u>35,808</u>	<u>423,668</u>	<u>28,249</u>	<u>2,518,009</u>
Balance at March 31, 2020	<u>\$ 463,262</u>	<u>742,253</u>	<u>667,342</u>	<u>180,835</u>	<u>30,768</u>	<u>188,786</u>	<u>27,520</u>	<u>2,300,766</u>
Balance at January 1, 2020	<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 March 31, 2021, December 31 and March 31, 2020, the Group did not provide any property, plant and equipment as collaterals.

(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 three months ended March 31, 2021 and 2020 were as follow:

	Land	Building	Machinery and Equipment	Vehicles and Other	Total
Cost or deemed cost:					
Balance at January 1, 2021	\$ 306,311	423,832	81,081	10,648	821,872
Additions	-	-	-	5,982	5,982
Disposals	-	-	-	(2,278)	(2,278)
Effect of movements in exchange rates	323	280	-	-	603
Balance at March 31, 2021	<u>\$ 306,634</u>	<u>424,112</u>	<u>81,081</u>	<u>14,352</u>	<u>826,179</u>
Balance at January 1, 2020	\$ -	157,553	81,081	16,264	254,898
Additions	323,472	-	-	-	323,472
Effect of movements in exchange rates	1,064	573	-	10	1,647
Balance at March 31, 2020	<u>\$ 324,536</u>	<u>158,126</u>	<u>81,081</u>	<u>16,274</u>	<u>580,017</u>

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Building</u>	<u>Machinery and Equipment</u>	<u>Vehicles and Other</u>	<u>Total</u>
Depreciation:					
Balance at January 1, 2021	\$ 5,600	60,568	25,675	6,605	98,448
Depreciation for the period	1,673	23,094	4,054	1,316	30,137
Disposal/Write-off	-	-	-	(2,278)	(2,278)
Effect of movements in exchange rates	14	128	-	-	142
Balance at March 31, 2021	<u>\$ 7,287</u>	<u>83,790</u>	<u>29,729</u>	<u>5,643</u>	<u>126,449</u>
Balance at January 1, 2020	\$ -	89,764	9,459	7,865	107,088
Depreciation for the period	591	22,777	4,054	2,248	29,670
Effect of movements in exchange rates	2	371	-	6	379
Balance at March 31, 2020	<u>\$ 593</u>	<u>112,912</u>	<u>13,513</u>	<u>10,119</u>	<u>137,137</u>
Carrying amount:					
Balance on March 31, 2021	<u>\$ 299,347</u>	<u>340,322</u>	<u>51,352</u>	<u>8,709</u>	<u>699,730</u>
Balance at January 1, 2021	<u>\$ 300,711</u>	<u>363,264</u>	<u>55,406</u>	<u>4,043</u>	<u>723,424</u>
Balance at March 31, 2020	<u>\$ 323,943</u>	<u>45,214</u>	<u>67,568</u>	<u>6,155</u>	<u>442,880</u>
Balance at January 1, 2020	<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, and the relevant amount has been paid.

(j) Intangible Assets

Changes in cost and accumulated amortization of intangible assets of the Group for the three months ended March 31, 2021 and 2020 were as follows:

	<u>Goodwill</u>	<u>Authorization fee</u>	<u>Computer software and others</u>	<u>Total</u>
Carrying amount:				
March 31, 2021	<u>\$ 6,556</u>	<u>10,209</u>	<u>54,325</u>	<u>71,090</u>
January 1, 2021	<u>\$ 6,556</u>	<u>11,276</u>	<u>57,468</u>	<u>75,300</u>
March 31, 2020	<u>\$ 6,556</u>	<u>14,694</u>	<u>49,174</u>	<u>70,424</u>
January 1, 2020	<u>\$ 6,556</u>	<u>15,981</u>	<u>44,341</u>	<u>66,878</u>

- (i) There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the three months ended March 31, 2021 and 2020. Information on amortization for the period is disclosed in Note (12). Please refer to Note (6)(j) of the 2020 annual consolidated financial statements for other related information.

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(k) Short-term borrowings

	March 31, 2021	December 31, 2020	March 31, 2020
Unsecured bank loans	<u>\$ 310,000</u>	<u>707,795</u>	<u>2,191,824</u>
Unused credit line for short-term borrowings	<u>\$ 9,526,871</u>	<u>9,028,972</u>	<u>6,200,571</u>
Annual interest rates	<u>0.48%~1.17%</u>	<u>0.25%~2.22%</u>	<u>0.38%~2.22%</u>

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

(l) Other current liabilities

	March 31, 2021	December 31, 2020	March 31, 2020
Temporary receipts non recurring engineering revenue and collection on behalf of others	\$ 526,566	476,161	71,425
Others	<u>165,713</u>	<u>80,293</u>	<u>99,016</u>
	<u>\$ 692,279</u>	<u>556,454</u>	<u>170,441</u>

(m) Unsecured convertible bonds payable

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

	March 31, 2021	December 31, 2020	March 31, 2020
Total convertible bonds issued	\$ 1,000,000	1,000,000	1,000,000
Unamortized discounts on bonds payable	(15,288)	(18,527)	(28,187)
Unamortized issuance cost on bonds payable	(1,035)	(1,254)	(1,908)
Accumulated converted amount	<u>(4,131)</u>	<u>-</u>	<u>-</u>
Balance of bonds payable as of the reporting date	<u>\$ 979,546</u>	<u>980,219</u>	<u>969,905</u>
Conversion options included in equity components (recognized as capital surplus-stock options)	<u>\$ 48,463</u>	<u>48,667</u>	<u>48,667</u>

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the three months ended March 31,	
	2021	2021
Interest expenses	\$ 3,457	3,413

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

- (ii) As of March 31, 2021, the convertible bonds were converted into ordinary shares of the Company with \$479 with a par value of \$4,200, and the capital surplus were recognized with \$3,856 (including the stock options reclassified as Additional paid in capital of \$204 and the unamortized discounts on bonds payable of \$69).
- (iii) The Group did not issue or repurchase bonds payable for the three months ended March 31, 2021 and 2020. Please refer to Note (6)(m) of the 2020 consolidated financial statements for other related information.

(n) Lease liabilities

The details of lease liabilities were as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Current	\$ 84,262	83,370	41,776
Non-current	\$ 280,777	297,446	9,112

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

The amounts recognized in profit or loss were as follows:

	For the three months ended March 31,	
	2021	2020
Interest expense on lease liabilities	\$ 3,218	631
Expenses relating to short-term leases	\$ 11,084	1,947

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

	For the three months ended March 31,	
	2021	2020
Total cash outflow for leases	\$ 35,697	107,918

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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(i) Real estate, machinery and vehicles 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 offices and vehicles 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

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

There were no significant changes in provisions for the three months ended March 31, 2021 and 2020. Please refer to Note (6)(o) of the consolidated financial statements for the year ended December 31, 2020 for other related information.

(p) Employee benefits

(i) Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one time events since prior fiscal year. As a result, the pension plan cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2020 and 2019.

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

	For the three months ended March 31,	
	2021	2020
Operating cost	\$ 77	39
Selling expenses	59	42
Administration expenses	82	108
Research and development expenses	300	329
	\$ 518	518

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Defined contribution plans

The pension expenses of the Company and domestic subsidiaries under the pension plan contributed to the Bureau of Labor Insurance for the three months ended March 31, 2021 and 2020 were as follows:

	For the three months ended March 31,	
	2021	2020
Operating cost	\$ 912	342
Selling expenses	1,273	1,313
Administration expenses	1,265	1,826
Research and development expenses	8,995	8,018
	\$ 12,445	11,499

Other subsidiaries recognized the pension expenses, basic endowment insurance expenses, and social welfare expenses amounting to \$13,393 and \$7,611 for the three months ended March 31, 2021 and 2020, respectively.

(q) Income taxes

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

	For the three months ended March 31,	
	2021	2020
Income tax expense	\$ 128,798	209,679

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

	For the three months ended March 31,	
	2021	2020
Items that might be reclassified subsequently to profit or loss:		
Foreign currency translation differences of foreign operations	\$ 34	1,853

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(r) Capital and other equities

Except for the following disclosures, there was no significant change for capital and other equities for the periods from January 1 to March 31, 2021 and 2020. Please refer to note (6)(r) of the consolidated financial statement for the year ended December 31, 2020 for other related information.

(i) Ordinary shares

In 2018, the Company issued its employee restricted shares amounting to \$45,000, wherein the amount of \$329 and \$520, respectively, had been cancelled due to failure in meeting the vested requirements in the three months ended March 31, 2021 and 2020. As of the reporting date, the registration procedures had been completed.

For the three months ended March 31, 2021, the convertible bonds issued by the Company were converted into ordinary shares of \$479 with 48 thousand new shares. The registration procedures have already been completed.

(ii) Capital surplus

	March 31, 2021	March 31, 2020	March 31, 2020
Additional paid-in capital	\$ 3,283,938	3,488,459	3,394,422
Difference between consideration and carry amount arising from acquisition or disposal of subsidiaries	3,698	3,698	3,698
Changes in equity of associates and joint ventures accounted for using equity method	5,488	5,602	5,752
Issuance of convertible bonds	48,463	48,667	48,667
Issuance of employee restricted shares	115,497	115,168	209,216
	<u>\$ 3,457,084</u>	<u>3,661,594</u>	<u>3,661,755</u>

The capital surplus resulted from the conversion of unsecured convertible bonds converted into ordinary shares from January 1 to March 31, 2021 was \$3,856 (including the stock options reclassified as Additional paid in capital of \$204).

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Retained earnings

The Company's article of incorporation stipulates that Company's net earnings due should first be used to offset the prior years' deficits, if any, before 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 authorities. 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 cash dividends, capital surplus or legal reverse by cash, and reporting to the stockholders' meeting.

According to the Company's dividend stabilization policy, the type of dividends should be determined after considering the business environment, operating performance, financial structure, etc. If 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.

(iv) Earnings distributed

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

	<u>2020</u>		<u>2019</u>	
	<u>Amount per share</u>	<u>Total amount</u>	<u>Amount per share</u>	<u>Total amount</u>
Cash dividends distributed to ordinary shareholders	5.49873625	\$ <u><u>1,146,071</u></u>	4.50	<u><u>938,174</u></u>

(s) Share-based payment

There were no significant changes in share-based payment during the periods from January 1 to March 31, 2021 and 2020. For the related information, please refer to note (6)(s) of the consolidated financial statements for the year ended December 31, 2020.

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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(t) Earnings per share

The Group's basic and diluted earnings per share are calculated as follows:

	For the three months ended March 31,	
	2021	2020
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	\$ 454,417	261,054
Weighted average number of ordinary shares (in thousands)	206,106	204,119
	\$ 2.20	1.28
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (diluted)	\$ 457,874	264,467
Weighted average number of ordinary shares (in thousands)	206,106	204,119
Effect of dilutive potential ordinary shares:		
Employee remunerations	2,922	1,276
Employee restricted shares unvested	1,808	2,761
Convertible bonds payable	11,399	10,753
Weighted-average number of ordinary shares (diluted) (in thousands)	222,235	218,909
	\$ 2.06	1.21

(u) Revenue from contracts with customers

(i) Details of revenue

	For the three months ended March 31, 2021		
	Networking Product Segment	Digital Set Top Box Product Segment	Total
Primary geographical markets:			
Europe	\$ 4,756,191	587,501	5,343,692
America	2,812,309	18,942	2,831,251
Asia and others	1,440,550	9,322	1,449,872
	\$ 9,009,050	615,765	9,624,815

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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	For the three months ended March 31, 2021		
	Networking Product Segment	Digital Set Top Box Product Segment	Total
Major products:			
Networking products	\$ 8,103,717	12,515	8,116,232
Digital set-top-box products	766,788	565,279	1,332,067
Materials and others	<u>138,545</u>	<u>37,971</u>	<u>176,516</u>
	<u>\$ 9,009,050</u>	<u>615,765</u>	<u>9,624,815</u>

	For the three months ended March 31, 2020		
	Networking Product Segment	Digital Set Top Box Product Segment	Total
Primary geographical markets:			
Europe	\$ 3,305,710	492,792	3,798,502
America	2,111,171	-	2,111,171
Asia and others	<u>1,205,658</u>	<u>27,684</u>	<u>1,233,342</u>
	<u>\$ 6,622,539</u>	<u>520,476</u>	<u>7,143,015</u>

Major products:			
Networking products	\$ 5,538,389	-	5,538,389
Digital set-top-box products	1,017,839	497,395	1,515,234
Materials and others	<u>66,311</u>	<u>23,081</u>	<u>89,392</u>
	<u>\$ 6,622,539</u>	<u>520,476</u>	<u>7,143,015</u>

(ii) Contract balances

	March 31, 2021	December 31, 2020	March 31, 2020
Notes and accounts receivable	\$ 7,005,923	6,939,295	6,330,468
Less: allowance for uncollectible accounts	<u>(29,260)</u>	<u>(26,831)</u>	<u>(38,242)</u>
Total	<u>\$ 6,976,663</u>	<u>6,912,464</u>	<u>6,292,226</u>

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Remuneration to employees and directors

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

For the three months ended March 31, 2021 and 2020, the Company accrued employee remuneration of \$80,719 and \$51,174, and directors' remuneration of \$4,352 and \$3,363, respectively. The estimated amounts mentioned above are based on the net profit before tax prior to deduction of the remuneration to employees and directors of each respective ending period, multiplied by the percentage of remuneration to employees and directors which is proposed by the management team of the Company as a basis of estimation. The estimations were recorded under operation cost or operating expenses for the three months ended March 31, 2021 and 2020. 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 determined based on the closing price of the day before the Board of Directors' meeting.

The Company accrued and recognized its employee remuneration of \$262,880 and \$156,863, and directors' remuneration of \$16,876 and \$11,812 for the years ended December 31, 2020 and 2019, respectively. There is no differences between the amounts approved in the Board of Directors' meeting and those recognized in the financial statements, and the related information can be accessed through the Market Observation Post System website.

(w) Financial instruments

Except for those described below, there were no significant changes on fair value, credit risk, liquidity risk and market risk of financial instruments. Please refer to note (6)(w) of the consolidated financial statements for the year ended December 31, 2020 for related information.

(i) Credit risk

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

Other financial assets at amortized cost include other receivables and time deposits. 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. Besides, due to the counterparties of the time deposits held by the Group are financial institutions with investment grade and above credit ratings, these time deposits are considered to have low credit risk.

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

	<u>Other receivables</u>
Balance at January 1, 2021	\$ 45
Impairment loss recognized	<u>8</u>
Balance at March 31, 2021	<u>\$ 53</u>
Balance at January 1, 2020	\$ 105
Impairment loss recognized	<u>1</u>
Balance at March 31, 2020	<u>\$ 106</u>

(ii) Liquidity risk

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

March 31, 2021	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
Non-derivative financial liabilities					
Unsecured bank loans	\$ 310,000	(310,000)	(310,000)	-	-
Accounts payable (including related parties)	12,041,745	(12,041,745)	(12,041,745)	-	-
Other payables (including related parties)	2,765,583	(2,865,583)	(2,865,583)	-	-
Dividends payable	1,354,448	(1,354,448)	(1,354,448)	-	-
Bonds payable	979,546	(995,800)	-	(995,800)	-
Lease liability— current and non-current	365,039	(391,452)	(95,200)	(89,688)	(206,564)
Derivative financial liabilities					
Foreign exchange swaps	28,142				
Outflow		(2,352,075)	(2,352,075)	-	-
Inflow		<u>2,325,080</u>	<u>2,325,080</u>	<u>-</u>	<u>-</u>
	<u>\$ 17,844,503</u>	<u>(17,986,023)</u>	<u>(16,693,971)</u>	<u>(1,085,488)</u>	<u>(206,564)</u>

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December 31, 2020	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
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	2,575,046	(2,575,046)	(2,575,046)	-	-
Dividends payable	11	(11)	(11)	-	-
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:	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 used for hedging:	2,192				
Outflow		(209,640)	(209,640)	-	-
Inflow		208,331	208,331	-	-
	<u>\$ 15,035,102</u>	<u>(15,084,160)</u>	<u>(13,768,802)</u>	<u>(1,088,947)</u>	<u>(226,411)</u>

(Continued)

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March 31, 2020	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
Non-derivative financial liabilities					
Unsecured bank loans	\$ 2,191,824	(2,191,824)	(2,191,824)	-	-
Accounts payable (including related parties)	7,940,838	(7,940,838)	(7,940,838)	-	-
Other payables	1,482,415	(1,482,415)	(1,482,415)	-	-
Dividends payable	979,887	(979,887)	(979,887)	-	-
Bonds payable	969,905	(1,000,000)	-	-	(1,000,000)
Lease liability— current and non-current	50,888	(52,150)	(42,817)	(9,333)	-
Derivative financial liabilities					
Other foreign exchange forward:	2,145				
Outflow		(385,672)	(385,672)	-	-
Inflow		380,576	380,576	-	-
Foreign exchange swaps:	6,233				
Outflow		(1,419,635)	(1,419,635)	-	-
Inflow		1,410,764	1,410,764	-	-
	<u>\$ 13,624,135</u>	<u>(13,661,081)</u>	<u>(12,651,748)</u>	<u>(9,333)</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 financial assets and liabilities for foreign currency risk were as follows:

Unit: thousands of foreign currency

	<u>March 31, 2021</u>			<u>December 31, 2020</u>			<u>March 31, 2020</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</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	\$ 413,420	USD/TWD =28.51	11,786,604	341,464	USD/TWD =28.48	9,724,895	305,969	USD/TWD =30.205	9,241,794
EUR	46,045	EUR/TWD =33.46	1,540,666	60,407	EUR/TWD =34.94	2,110,621	53,930	EUR/TWD =33.48	1,805,576

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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	March 31, 2021			December 31, 2020			March 31, 2020		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial liabilities									
USD	477,061	USD/TWD =28.51	13,601,009	448,686	USD/TWD =28.48	12,778,577	300,912	USD/TWD =30.205	9,089,047
EUR	5,007	EUR/TWD =33.46	167,534	3,781	EUR/TWD =34.94	132,108	17,545	EUR/TWD =33.48	587,407

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 March 31, 2021 and 2020 would have affected the net profit before tax as follows. The analysis is performed on the same basis for both periods:

	March 31, 2021	March 31, 2020
USD (against the TWD)		
Strengthening 5%	\$ (90,720)	7,637
Weakening 5%	90,720	(7,637)
EUR (against the TWD)		
Strengthening 5%	\$ 68,657	60,908
Weakening 5%	(68,657)	(60,908)

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. For the three months ended March 31, 2021 and 2020, the foreign exchange loss (including realized and unrealized portions) amounted to \$97,123 and \$8,472, respectively.

(iv) Interest rate analysis

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

	Book value	
	March 31, 2021	March 31, 2020
Fixed rate financial instrument:		
Financial assets	\$ 6,243,867	4,683,307
Financial liabilities	(1,289,546)	(3,161,729)
	\$ 4,954,321	1,521,578

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	Book value	
	March 31, 2021	March 31, 2020
Variable rate financial instrument:		
Financial assets	\$ 3,104,623	2,543,418

The following sensitivity analysis is based on the risk exposure to interest rate for the derivative and 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%, assuming all other variables remaining constant, the net profit before tax would have increased or decreased by \$1,940 and \$1,590 for the three months ended March 31, 2021 and 2020, respectively, which would be mainly resulted from the bank deposits 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, 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 :

	March 31, 2021				
	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	\$ 32,692	-	32,692	-	32,692
Non-derivative financial assets mandatorily measured at fair value through profit or loss	172,572	-	130,693	41,879	172,572
Subtotal	205,264				
Financial assets for hedging	7,557	-	7,557	-	7,557
Financial assets measured at fair value through other comprehensive income					
Stocks unlisted in domestic markets	31,663	-	-	31,663	31,663
Accounts receivable	279,566	-	279,566	-	279,566
Subtotal	311,229				

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	March 31, 2021				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	9,341,072	-	-	-	-
Notes and accounts receivable, net	6,697,097	-	-	-	-
Other receivables	155,299	-	-	-	-
Refundable deposits	<u>94,413</u>	-	-	-	-
Subtotal	<u>16,287,881</u>				
Total	<u>\$ 16,811,931</u>				
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ <u>28,142</u>	-	28,142	-	28,142
Financial liabilities at amortized cost					
Short-term borrowings	310,000	-	-	-	-
Accounts payable (including related parties)	12,041,745	-	-	-	-
Other payables (including related parties)	2,765,583	-	-	-	-
Dividends payable	1,354,448	-	-	-	-
Bonds payable	979,546	-	-	-	-
Lease liabilities—current and non-current	365,039	-	-	-	-
Deposits received	<u>30,695</u>	-	-	-	-
Subtotal	<u>17,847,056</u>				
Total	<u>\$ 17,875,198</u>				
	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>				

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	March 31, 2020				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value through other comprehensive income					
Stocks unlisted in domestic markets	49,500	-	-	49,500	49,500
Accounts receivable	<u>353,969</u>	-	353,969	-	353,969
Subtotal	<u>403,469</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	7,228,790	-	-	-	-
Notes and accounts receivable, net	5,938,257	-	-	-	-
Other receivables (including related parties)	168,102	-	-	-	-
Refundable deposits	<u>80,999</u>	-	-	-	-
Subtotal	<u>13,416,148</u>				
Total	<u>\$ 13,962,276</u>				
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	<u>\$ 8,378</u>	-	8,378	-	8,378
Financial liabilities at amortized cost					
Short-term borrowings	2,191,824	-	-	-	-
Accounts payable (including related parties)	7,940,838	-	-	-	-
Other payables (including related parties)	1,482,415	-	-	-	-
Dividends payable	979,887	-	-	-	-
Bonds payable	969,905	-	-	-	-
Lease liabilities—current and non-current	50,888	-	-	-	-
Deposits received	<u>1,601</u>	-	-	-	-
Subtotal	<u>13,617,358</u>				
Total	<u>\$ 13,625,736</u>				

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.

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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 the three months ended March 31, 2021 and 2020.

5) Reconciliation of Level 3 fair values

	Fair value through profit of loss	Fair value through other comprehensive income
	Non derivation mandatorily measured at fair value through profit or loss	Unquoted equity instruments
Balance at January 1, 2021	\$ 42,840	31,135
Total gains and losses recognized		
In profit or loss	(961)	-
In other comprehensive income (loss)	-	528
Balance at March 31, 2021	<u>\$ 41,879</u>	<u>31,663</u>

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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	Fair value through profit of loss	Fair value through other comprehensive income
	Non derivation mandatorily measured at fair value through profit or loss	Unquoted equity instruments
Balance at January 1, 2020	\$ 44,262	49,500
Total gains and losses recognized		
In profit or loss	(1,878)	-
Balance at March 31, 2020	\$ 42,384	49,500

For the three months ended March 31, 2021 and 2020, 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:

	For the three months ended March 31,	
	2021	2020
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”	\$ (961)	(1,878)
In other comprehensive income, and presented in “unrealized gains and losses from equity investment at fair value through other comprehensive income”	\$ 528	-

- 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”.

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.

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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 (1.73~5.81, 1.45~5.33 and 0.84~2.19 on March 31, 2021, December 31 and March 31, 2020, respectively) · Lack-of-Marketability discount rate (30% on March 31, 2021, December 31 and March 31, 2020)	· The higher the multiple is, the higher the fair value will be. · The higher the Lack-of-Marketability discount rate is, the lower the fair value will be.
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

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

	<u>Input</u>	<u>Move up or down</u>	<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
March 31, 2021				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	\$ <u><u>1,615</u></u>	<u><u>1,609</u></u>
	Lack-of-Marketability discount rate	5%	\$ <u><u>689</u></u>	<u><u>688</u></u>
March 31, 2020				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	\$ <u><u>999</u></u>	<u><u>1,010</u></u>
	Lack-of-Marketability discount rate	5%	\$ <u><u>438</u></u>	<u><u>438</u></u>

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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 inputs.

8) Offsetting financial assets and financial liabilities

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

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

Unit: In thousand dollars of TWD and USD

March 31, 2021						
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	\$ 5,043,338	5,043,338	-	-	-	-
	(USD 176,897)	(USD 176,897)				

March 31, 2021						
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	\$ 5,043,338	5,043,338	-	-	-	-
	(USD 176,897)	(USD 176,897)				

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	\$ 2,540,169	2,540,169	-	-	-	-
	(USD 89,191)	(USD 89,191)				

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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	\$ <u>2,540,169</u>	<u>2,540,169</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
borrowings	(USD <u>89,191</u>)	(USD <u>89,191</u>)				

(x) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note (6)(x) of the consolidated financial statements for the year ended December 31, 2020.

(y) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2020. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2020. Please refer to Note (6)(y) of the consolidated financial statements for the year ended December 31, 2020 for further details.

(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 March 31, 2021 and 2020 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).
- (iii) Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2021	Cash flows	Non-cash changes	March 31, 2021
			Other	
Short-term borrowings	\$ 707,795	(397,795)	-	310,000
Lease liabilities	380,816	(21,395)	5,618	365,039
Bonds payable	980,219	-	(673)	979,546
Deposits received	<u>2,073</u>	<u>28,510</u>	<u>112</u>	<u>30,695</u>
Total liabilities from financing activities	<u>\$ 2,070,903</u>	<u>(390,680)</u>	<u>5,057</u>	<u>1,685,280</u>

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	January 1,		Non-cash	
	2020	Cash flows	changes	March 31,
			Other	2020
Short-term borrowings	\$ 519,038	1,672,786	-	2,191,824
Lease liabilities	156,807	(105,340)	(579)	50,888
Bonds payable	966,492	-	3,413	969,905
Deposits received	1,782	-	(181)	1,601
Total liabilities from financing activities	<u>\$ 1,644,119</u>	<u>1,567,446</u>	<u>2,653</u>	<u>3,214,218</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 outstanding shares 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.	//
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.	//

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(c) Significant related party transactions

(i) Purchases of goods from related parties

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

	For the three months ended March 31,	
	2021	2020
Parent Company	\$ 529	640
Other related parties	28,105	19,300
	<u>\$ 28,634</u>	<u>19,940</u>

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

(ii) Other expenditures

Related parties provided technical support, professional services and other services for the Group, and the related expenses for the years ended March 31, 2021 and 2020 were as follows:

	For the three months ended March 31,	
	2021	2020
Other related parties	\$ <u>4,780</u>	<u>2,507</u>

(iii) Lease

In April 2019, the Group leased factories and buildings from other related parties – CVC, with a lease term of 3 years, after surveying the market price in neighboring areas. For the three months ended March 31, 2021 and 2020, the Group recognized the amounts of \$95 and \$179, respectively, as interest expenses. As of March 31, 2021, December 31 and March 31, 2020, the balance of lease liabilities amounted to \$4,763, \$5,894 and \$9,532, respectively.

The Group leased machinery from other related parties – CVC with a contract term of 5 years in June 2019. The lease payment will be collected by the parent company and had been paid in 2020. The balance of right-of-use assets amounted to \$51,352, \$55,406 and \$67,568 on March 31, 2021, December 31 and March 31, 2020, respectively.

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(iv) Payable to related parties

The payables to related parties were as follows:

<u>Account</u>	<u>Related party categories</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Accounts payable	Parent Company	\$ 530	1,823	653
Accounts payable	Other related parties	42,744	26,644	29,234
		<u>\$ 43,274</u>	<u>28,467</u>	<u>29,887</u>
Other payables	Other related parties	\$ 2,224	2,814	1,675

(d) Key management personnel compensation

Key management personnel compensation comprised:

	<u>For the three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 28,234	22,036
Post-employment benefits	315	311
Share-based payments	1,443	7,569
	<u>\$ 29,992</u>	<u>29,916</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>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Other current assets	Bail for court mandatory execution	<u>\$ 41,090</u>	<u>41,090</u>	<u>41,090</u>

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(9) Commitments and contingencies:

In July 2020, the Group decided to engage a non-related party to build a factory. As of March 31, 2021, the construction procurement has not been accrued or paid for the project amounting to \$331,973.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events:

In response to business operation, the Group authorized the chairman to purchase land within \$500,000 by a resolution of the Board of Directors on March 17, 2021. In addition, the Group has signed an agreement with non-related parties on April 7, 2021 to purchase lands located in Guangfu Section of Hsinchu County, amounting to \$415,480. The related information can be accessed through the Market Observation Post System website.

(12) Other:

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

By function	For the three months ended March 31, 2021			For the three months ended March 31, 2020		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	197,710	408,310	606,020	153,934	384,368	538,302
Labor and health insurance	8,029	32,684	40,713	4,720	27,395	32,115
Pension	12,450	13,906	26,356	6,844	12,784	19,628
Others	153,782	14,930	168,712	92,431	22,087	114,518
Depreciation	88,180	34,324	122,504	79,256	32,226	111,482
Amortization	1,655	6,821	8,476	350	7,766	8,116

- (b) Seasonality of operations

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the three months ended March 31, 2021:

(i) Loans to other parties:

Unit: In thousand dollars of TWD and USD

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		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	57,020 (USD2,000)	57,020 (USD2,000)	37,063 (USD1,300)	1%	2	-	Operating demand	-	-	-	2,146,361	4,292,723	The transactions had been eliminated in the consolidated financial statements.
0	"	Arcadyan Technology Limited	"	Yes	285,100 (USD10,000)	285,100 (USD10,000)	-	1%	1	4,480,432 (USD157,153)	-	-	-	-	2,146,361	4,292,723	
0	"	Arcadyan Technology (Vietnam) Co. Ltd.	"	Yes	285,100 (USD10,000)	285,100 (USD10,000)	-	1%	1	4,476,070 (USD157,000)	-	-	-	-	2,146,361	4,292,723	
0	"	Arcadyan Technology (Vietnam) Co. Ltd.	"	Yes	255,510 (USD9,000)	-	-	1%	1	5,536,271 (USD194,187)	-	-	-	-	2,146,361	4,292,723	
0	"	Arcadyan Technology Corporation (Russia), LLC	"	Yes	57,020 (USD2,000)	57,020 (USD2,000)	6,770 (RUB18,000)	1%	1	170,967 (USD5,997)	-	-	-	-	136,774 (USD4,797)	4,292,723	
2	Arcadyan Holding	CNC	"	Yes	484,670 (USD17,000)	484,670 (USD17,000)	484,670 (USD17,000)	1%	2	-	Operating demand	-	-	-	2,300,270	2,300,270	"
3	SVA	CNC	"	Yes	153,440 (CNY35,000)	-	-	3.85%	2	-	Operating demand	-	-	-	166,356	166,356	"

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

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

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

Note 4: 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 5: The amounts in New Taiwan Dollars were translated at the exchange rate of \$28.51(USD), \$4.334(CNY) and \$0.3761(RUB) based on the year-end date.

(ii) Guarantees and endorsements for other parties: None

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

Unit: In thousand dollars of TWD/thousand shares

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Geo Things Inc.	-	Financial assets at fair value through profit or loss-noncurrent	200	-	7.14 %	-	
"	AirHop Communication, Inc.	-	"	1,152	-	4.60 %	-	
"	Adant Technologies Inc.	-	"	349	-	4.93 %	-	
"	IOT Eye, Inc.	-	"	60	-	13.75 %	-	
"	TIEF Fund, L.P.	-	"	-	41,879	7.49 %	41,879	
"	Chimei Motor Electronic Co Ltd.	-	Financial assets at fair value through other comprehensive income-noncurrent	1,650	31,663	7.17 %	31,663	
"	Golden Smart home Technology Corp.	-	"	1,229	-	8.35 %	-	
CNC	Structured deposits-SPD Bank Yield Plus Structured Deposit	-	Financial assets at fair value through profit or loss-current	-	130,693	-	130,693	

(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: None

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

(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)	(318,115)	(3)%	Net 150 days from delivery	-	-	269,746	4 %	Note 3
"	Arcadyan USA	"	(Sales)	(1,847,718)	(20)%	Net 120 days from delivery	-	-	1,154,435	18 %	Note 3
"	CNC	"	Purchases	3,028,219	25 %	Net 120 days from delivery	According to cost plus pricing	-	(2,910,230)	(21)%	Note 1、3
"	Arcadyan Vietnam	"	Purchases	220,107	2 %	Net 180 days from the end of the month of delivery	"	-	Note 2	- %	Note 1、3
CNC	The Company	Parent company	(Sales)	(3,028,219)	(100)%	Net 120 days from delivery	According to cost plus pricing	-	2,910,230	100 %	Note 1、3
Arcadyan Vietnam	"	"	(Sales)	(220,107)	(100)%	Net 180 days from the end of the months of delivery	-	-	Note 2	- %	Note 1、3
Arcadyan Germany	"	"	Purchases	318,115	100 %	Net 150 days from delivery	-	-	(269,746)	(100)%	Note 3
Arcadyan USA	The Company	Parent company	Purchases	1,847,718	100 %	Net 120 days from delivery	-	-	(1,154,435)	(100)%	Note 3

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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Note 1: The ending balances were derived from the transactions on processing and sales of raw materials.
 Note 2: As of March 31, 2021 the other receivables (payables) were amounted to 1,049,563 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 thousand dollars of TWD

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (note 3)	Allowance for bad debts
					Amount	Action taken		
The Company	Arcadyan Germany	Subsidiary	269,746	4.96	-	-	39,583	-
"	Arcadyan USA	"	1,154,435	6.74	-	-	756,778	-
"	Arcadyan Vietnam	"	1,049,563 (note 2)	Note 2	-	-	-	-
CNC	The Company	Parent company	2,910,230 (Note 1)	3.83	-	-	1,788,881	-

Note 1: The ending balance was accounts receivable derived from processing raw materials.
 Note 2: The ending balance was other receivables derived from purchasing raw materials on behalf of related parties.
 Note 3: Balance as of April 29, 2021.

- (ix) Trading in derivative instruments: Please refer to notes (6)(b) and (6)(d)
 (x) Business relationships and significant intercompany transactions:

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	318,115	There is no significant difference of price between general customers'. The credit period is net 150 days from delivery.	3.31 %
"	"	"	1	Accounts Receivable	269,746	"	0.86 %
"	"	Arcadyan USA	1	Sales Revenue	1,847,718	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.	19.20 %
"	"	"	1	Accounts Receivable	1,154,435	"	3.72 %
"	"	Arcadyan Vietnam	1	Other Receivable	1,049,563	The credit period is net 180 days from the date of invoice and depended on funding demand.	3.38 %

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	CNC	The Company	2	Processing Revenue	3,028,219	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.	31.46 %
"	"	"	2	Accounts Receivable	2,910,230	"	9.32 %
2	Arcadyan Vietnam	The Company	2	Processing Revenue	220,107	The credit period is net 180 days from the date of invoice and depended on funding demand.	2.29 %

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.

(b) Information on investees:

The following is the information on investees for the three months ended March 31, 2021 (excluding information on investees in Mainland China):

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

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2021			Net Income (Losses) of the Investee	Investment Income (losses)	Note
				March 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Arcadyan Holding	British Virgin Islands	Investment activities	2,359,732	2,359,732	69,780	100%	2,253,076	10,907	10,907	Note 2, 4
The Company	Arcadyan USA	USA	Selling of wireless networking products	23,055	23,055	1	100%	78,088	20,432	20,432	"
The Company	Arcadyan Germany	Germany	Selling and technical support of wireless networking products	1,125	1,125	0.5	100%	68,827	(4,897)	(4,897)	"
The Company	Arcadyan Korea	Korea	Selling of wireless networking products	2,879	2,879	20	100%	18,702	5,493	5,493	"
The Company and ZHI-BAO	Arcadyan Brasil	Brazil	Selling of wireless networking products	81,593	81,593	968	100%	(19,170)	(4,744)	(4,744)	"
The Company	ZHI-BAO	Taipei City	Investment activities	48,000	48,000	34,980	100%	423,195	(605)	(605)	"
The Company	TTI	Taipei City	Research and development, and selling digital home appliance	308,726	308,726	25,028	61%	518,050	2,554	1,559	"
The Company	AcBel Telecom	Taipei City	Investment activities	23,000	23,000	4,494	51%	32,716	31	16	"
The Company	Arcadyan UK	England	Technical support of wireless networking products	1,988	1,988	50	100%	3,818	199	199	"
The Company	Arcadyan AU	Australia	Selling of wireless networking products	1,161	1,161	50	100%	47,235	1,224	1,224	"
The Company	Arcadyan RU	Russia	Selling of wireless networking products	7,672	2,492	-	100%	7,379	549	549	"
The Company	CBN	Hsinchu County	Manufacturing and selling of broadband network products	11,925	11,925	533	1%	13,169	(3,490)	(28)	Note 3
The Company and ZHI-BAO	Arcadyan India	India	Selling of wireless networking products	-	-	-	100%	-	-	-	Note 5

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Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2021			Net Income (Losses) of the Investee	Investment Income (losses)	Note
				March 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value			
Arcadyan Holding	Sinoprime	British Virgin Islands	Investment activities	543,116 (USD19,050)	543,116 (USD19,050)	19,050	100%	464,086 (USD16,278)	10,013 (USD353)	Investment gain(losses) recognized by Arcadyan Holding	Note 2、4
"	Arch Holding	British Virgin Islands	Investment activities	313,924 (USD11,011)	313,924 (USD11,011)	35	100%	885,064 (USD31,044)	(2,525) (USD89)	"	"
Sinoprime	Arcadyan Vietnam	Vietnam	Manufacturing of wireless networking products	541,690 (USD19,000)	541,690 (USD19,000)	-	100%	459,895 (USD16,131)	10,013 (USD353)	Investment gain (losses) recognized by Sinoprime	"
TTI	Quest	Samoa	Investment activities	34,212 (USD1,200)	34,212 (USD1,200)	1,200	100%	16,619	(15,761)	Investment gain (losses) recognized by TTI	"
TTI	TTJC	Japan	Selling digital home appliance	9,626	9,626	0.7	100%	4,974	(630)	"	"
Quest	Exquisite	Samoa	Investment activities	33,357 (USD1,170)	33,357 (USD1,170)	1,170	100%	4,105 (USD144)	(15,771) (USD556)	Investment gain(losses) recognized by Quest	"
ZHI-BAO	CBN	Hsinchu County	Manufacturing and selling of broadband network products	36,272	36,272	13,140	19.62%	324,504	(3,490)	Investment gain(losses) recognized by ZHI-BAO	Note 3

Note 1: The amounts in New Taiwan Dollars were translated at the exchange rate of \$US28.366/EUR\$34.196 based on the yearly average exchange rate for net income(losses) of the investees, others were translated at the exchange rate of US\$28.51/EUR\$33.46 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 subsidiary was incorporated on March 25, 2021, but the capital has not been funded.

(c) Information on investment in mainland China:

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

(In thousand dollars of TWD and USD)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2021	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period	Note
					Outflow	Inflow							
SVA	Research and sale of wireless networking products	373,481 (USD13,100)	note 1	(Note 4) 525,154 (USD18,420)	-	-	525,154 (USD18,420)	1,901 (USD67)	100%	1,901 (USD67)	166,356 (USD5,835)	-	Note 3
CNC	Manufacturing of wireless networking products	354,950 (USD12,450)	"	(Note 5) 313,924 (USD11,011)	-	-	313,924 (USD11,011)	(2,525) (USD89)	100%	(2,525) (USD89)	885,064 (USD31,044)	-	"
TCH	Manufacturing of household electronics products	95,509 (USD3,350)	notes 1 and 7	32,787 (USD1,150)	-	-	32,787 (USD1,150)	(15,771) (USD556)	100%	(15,771) (USD556)	3,621 (USD127)	-	"

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

Note 2: The amounts in New Taiwan Dollars were translated at the exchange rate of \$US28.366 based on the yearly average exchange rate for net income(losses) of the investees, others were translated at the exchange rate of US\$28.51 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 March 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
871,864 (USD30,581)	871,864 (USD30,581)	6,439,085

Note : The amounts in New Taiwan Dollars were translated at the exchange rate of \$28.51 on March 31, 2021.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China for the year ended March 31, 2021, which were eliminated in the preparation of consolidated financial statements, are disclosed in “ Information on significant transactions” and “ Business relationships and significant intercompany transactions” .

(d) Major shareholders:

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 regarded as single operating segments.

The Group's operating segment information and reconciliation are as follows:

	For the three months ended March 31, 2021		
	Networking Product Segment	Digital Set Top Box Product Segment	Total
Revenue			
Revenue from external customers	\$ <u>9,009,050</u>	<u>615,765</u>	<u>9,624,815</u>
Segment profit or loss	\$ <u>581,671</u>	<u>2,554</u>	<u>584,225</u>

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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	For the three months ended March 31, 2020		
	Networking Product Segment	Digital Set Top Box Product Segment	Total
Revenue			
Revenue from external customers	\$ 6,622,539	520,476	7,143,015
Segment profit or loss	\$ 489,134	(32,928)	456,206