

**ARCADYAN TECHNOLOGY CORPORATION AND  
SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Nine Months Ended September 30, 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 September 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2021 and 2020, as well as the changes in equity and cash flows for the nine months ended September 30, 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 \$677,762 thousand and \$3,441,932 thousand, constituting 2% and 12% of consolidated total assets as of September 30, 2021 and 2020, respectively, total liabilities amounting to \$238,350 thousand and \$942,265 thousand, constituting 1% and 6% of consolidated total liabilities as of September 30, 2021 and 2020, respectively, and total comprehensive income(loss) amounting to \$(7,204) thousand, \$50,549 thousand, \$3,072 thousand and \$(10,305) thousand, constituting (2)%, 10%, 0% and (1)% of consolidated total comprehensive income (loss) for the three months and nine months ended September 30, 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 September 30, 2021 and 2020, and of its consolidated financial performance for the three months and nine months ended September 30, 2021 and 2020, as well as its consolidated cash flows for the nine months ended September 30, 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)  
November 3, 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 generally accepted auditing standards**

**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**Consolidated Statement of Comprehensive Income**

**For the three months and nine months ended September 30, 2021 and 2020**

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

	For the three months ended September 30,				For the nine months ended September 30,			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 <b>Operating revenues (notes (6)(u) and (7)):</b>	\$ 9,481,288	100	9,551,788	100	28,654,465	100	24,643,281	100
5000 <b>Operating costs (notes (6)(f), (6)(p), (7) and (12))</b>	<u>8,120,785</u>	<u>86</u>	<u>8,085,961</u>	<u>85</u>	<u>24,686,451</u>	<u>86</u>	<u>21,011,810</u>	<u>85</u>
<b>Gross profit from operating</b>	<u>1,360,503</u>	<u>14</u>	<u>1,465,827</u>	<u>15</u>	<u>3,968,014</u>	<u>14</u>	<u>3,631,471</u>	<u>15</u>
<b>Operating expenses (notes (6)(p), (7) and (12)):</b>								
6100 Selling expenses	175,384	2	140,871	1	478,937	2	386,954	2
6200 Administrative expenses	118,739	1	147,690	1	357,211	1	383,882	2
6300 Research and development expenses	<u>525,113</u>	<u>5</u>	<u>450,181</u>	<u>5</u>	<u>1,501,234</u>	<u>5</u>	<u>1,212,215</u>	<u>5</u>
<b>Total operating expenses</b>	<u>819,236</u>	<u>8</u>	<u>738,742</u>	<u>7</u>	<u>2,337,382</u>	<u>8</u>	<u>1,983,051</u>	<u>9</u>
<b>Net operating income</b>	<u>541,267</u>	<u>6</u>	<u>727,085</u>	<u>8</u>	<u>1,630,632</u>	<u>6</u>	<u>1,648,420</u>	<u>6</u>
<b>Non-operating income and expenses:</b>								
7100 Interest income	17,390	-	8,104	-	49,821	-	35,517	-
7190 Other income	17,741	-	12,863	-	36,163	-	36,382	-
7225 Gains on disposals of investments	-	-	-	-	-	-	985	-
7230 Foreign exchange gains(losses), net (note (6)(w))	(29,492)	-	12,047	-	(153,524)	(1)	(65,917)	-
7235 Gains on financial assets (liabilities) at fair value through profit or loss (notes (6)(b) and (d))	33,020	-	(17,907)	-	119,984	-	45,360	-
7370 Share of profit of associates and joint ventures accounted for using equity method (note (6)(g))	3,182	-	5,385	-	6,036	-	6,221	-
7510 Interest expense (notes (6)(m) and (n))	<u>(9,124)</u>	<u>-</u>	<u>(13,185)</u>	<u>-</u>	<u>(27,168)</u>	<u>-</u>	<u>(40,151)</u>	<u>-</u>
	<u>32,717</u>	<u>-</u>	<u>7,307</u>	<u>-</u>	<u>31,312</u>	<u>(1)</u>	<u>18,397</u>	<u>-</u>
<b>Profit from continuing operations before tax</b>	573,984	6	734,392	8	1,661,944	5	1,666,817	6
7950 Less: Income tax expenses (note (6)(q))	<u>157,360</u>	<u>2</u>	<u>172,696</u>	<u>2</u>	<u>409,284</u>	<u>1</u>	<u>536,144</u>	<u>2</u>
<b>Profit</b>	<u>416,624</u>	<u>4</u>	<u>561,696</u>	<u>6</u>	<u>1,252,660</u>	<u>4</u>	<u>1,130,673</u>	<u>4</u>
8300 <b>Other comprehensive income:</b>								
8310 <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>								
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note (6)(c))	(6,583)	-	-	-	(10,444)	-	-	-
8349 Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(q))	-	-	-	-	-	-	-	-
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>	<u>(6,583)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,444)</u>	<u>-</u>	<u>-</u>	<u>-</u>
8360 <b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>								
8361 Exchange differences on translation of foreign financial statements	(11,596)	-	(28,188)	-	(68,223)	-	(56,733)	-
8368 Gains (losses) on hedging instrument (note (6)(d))	1,460	-	(37,856)	(1)	21,702	-	(9,420)	-
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))	(49)	-	46	-	(153)	-	24	-
8399 Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note (6)(q))	<u>(2,320)</u>	<u>-</u>	<u>(5,638)</u>	<u>-</u>	<u>(13,645)</u>	<u>-</u>	<u>(11,346)</u>	<u>-</u>
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>	<u>(7,865)</u>	<u>-</u>	<u>(60,360)</u>	<u>(1)</u>	<u>(33,029)</u>	<u>-</u>	<u>(54,783)</u>	<u>-</u>
8300 <b>Other comprehensive income</b>	<u>(14,448)</u>	<u>-</u>	<u>(60,360)</u>	<u>(1)</u>	<u>(43,473)</u>	<u>-</u>	<u>(54,783)</u>	<u>-</u>
<b>Total comprehensive income</b>	<u>\$ 402,176</u>	<u>4</u>	<u>501,336</u>	<u>5</u>	<u>1,209,187</u>	<u>4</u>	<u>1,075,890</u>	<u>4</u>
<b>Profit, attributable to:</b>								
Owners of parent	\$ 486,514	5	573,980	6	1,322,326	4	1,185,648	4
Non-controlling interests	<u>(69,890)</u>	<u>(1)</u>	<u>(12,284)</u>	<u>-</u>	<u>(69,666)</u>	<u>-</u>	<u>(54,975)</u>	<u>-</u>
	<u>\$ 416,624</u>	<u>4</u>	<u>561,696</u>	<u>6</u>	<u>1,252,660</u>	<u>4</u>	<u>1,130,673</u>	<u>4</u>
<b>Comprehensive income attributable to:</b>								
Owners of parent	\$ 472,083	5	519,785	5	1,278,929	4	1,134,067	4
Non-controlling interests	<u>(69,907)</u>	<u>(1)</u>	<u>(18,449)</u>	<u>-</u>	<u>(69,742)</u>	<u>-</u>	<u>(58,177)</u>	<u>-</u>
	<u>\$ 402,176</u>	<u>4</u>	<u>501,336</u>	<u>5</u>	<u>1,209,187</u>	<u>4</u>	<u>1,075,890</u>	<u>4</u>
<b>Earnings per share (note (6)(t))</b>								
9750 Basic earnings per share	<u>\$ 2.35</u>		<u>2.80</u>		<u>6.40</u>		<u>5.80</u>	
9850 Diluted earnings per share	<u>\$ 2.20</u>		<u>2.61</u>		<u>5.96</u>		<u>5.40</u>	

See accompanying notes to consolidated financial statements.

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**Consolidated Statement of Changes in Equity**  
**For the nine months ended September 30, 2021 and 2020**  
**(Expressed in thousand dollars of TWD)**

	Equity attributable to owners of parent						Total other equity interest						Non-controlling interests	Total equity
	Retained earnings					Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Unearned employee benefit	Total other equity interest	Total equity to owners of parent		
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings									
<b>Balance at January 1, 2020</b>	\$ 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 nine months ended September 30, 2020	-	-	-	-	1,185,648	1,185,648	-	-	-	-	-	1,185,648	(54,975)	1,130,673
Other comprehensive income for the nine months ended September 30, 2020	-	-	-	-	-	-	(44,983)	-	(6,598)	-	(51,581)	(51,581)	(3,202)	(54,783)
Comprehensive income for the nine months ended September 30, 2020	-	-	-	-	1,185,648	1,185,648	(44,983)	-	(6,598)	-	(51,581)	1,134,067	(58,177)	1,075,890
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	131,350	-	(131,350)	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	41,488	(41,488)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(938,174)	(938,174)	-	-	-	-	-	(938,174)	-	(938,174)
Cash dividends from capital surplus	-	(41,696)	-	-	-	-	-	-	-	-	-	(41,696)	-	(41,696)
Changes in equity of associates and subsidiaries accounted for using equity method	-	(14)	-	-	-	-	-	-	-	-	-	(14)	-	(14)
Disposal of subsidiaries or investments accounted for using equity method	-	(985)	-	-	-	-	-	-	-	-	-	(985)	-	(985)
Share-based payments transactions	(950)	203	-	-	-	-	-	-	-	59,632	59,632	58,885	-	58,885
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(2,935)	(2,935)
<b>Balance at September 30, 2020</b>	\$ 2,084,400	3,661,424	981,894	95,172	4,505,808	5,582,874	(140,155)	-	(11,469)	(60,265)	(211,889)	11,116,809	375,096	11,491,905
<b>Balance at January 1, 2021</b>	\$ 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 nine months ended September 30, 2021	-	-	-	-	1,322,326	1,322,326	-	-	-	-	-	1,322,326	(69,666)	1,252,660
Other comprehensive income for the nine months ended September 30, 2021	-	-	-	-	-	-	(54,655)	(10,444)	21,702	-	(43,397)	(43,397)	(76)	(43,473)
Comprehensive income for the nine months ended September 30, 2021	-	-	-	-	1,322,326	1,322,326	(54,655)	(10,444)	21,702	-	(43,397)	1,278,929	(69,742)	1,209,187
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	170,897	-	(170,897)	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	101,747	(101,747)	-	-	-	-	-	-	-	-	-
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	13,582	97,276	-	-	-	-	-	-	-	-	-	110,858	-	110,858
Changes in equity of associates and subsidiaries accounted for using equity method	-	(114)	-	-	-	-	-	-	-	-	-	(114)	-	(114)
Share-based payment transactions	(420)	420	-	-	-	-	-	-	-	24,432	24,432	24,432	-	24,432
<b>Balance at September 30, 2021</b>	\$ 2,097,257	3,550,799	1,152,791	196,919	4,932,742	6,282,452	(231,017)	(28,809)	19,510	(21,174)	(261,490)	11,669,018	282,893	11,951,911

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 Statement of Cash Flows**

**For the nine months ended September 30, 2021 and 2020**

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

	For the nine months ended September	
	2021	2020
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 1,661,944	1,666,817
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	384,588	360,550
Amortization expense	26,169	23,685
Expected credit (gains) losses	2,677	(11,184)
Interest expense	27,168	40,151
Interest income	(49,821)	(35,517)
Net loss on financial assets or liabilities at fair value through profit or loss	1,664	2,123
Share-based payments transactions	24,432	59,144
Share of profit of associates and joint ventures accounted for using equity method	(6,036)	(6,221)
Gains on disposal of property, plant and equipment	(5,467)	(9,210)
Gains on disposal of investments accounted for using equity method	-	(985)
Others	805	3,995
<b>Total adjustments to reconcile profit (loss)</b>	<u>406,179</u>	<u>426,531</u>
<b>Changes in operating assets and liabilities:</b>		
Changes in financial assets or liabilities mandatorily measured at fair value through profit or loss	(59,672)	15,715
Increase in notes and accounts receivable (including related parties)	(360,778)	(1,435,533)
(Increase) decrease in other receivables	(11,065)	116,828
(Increase) decrease in inventories	(4,959,672)	116,605
(Increase) decrease in prepayments	(62,135)	18,084
(Increase) decrease in other current assets	(4,863)	7,406
Increase in accounts payable (including related parties)	1,985,664	1,568,072
Increase (decrease) in other payables (including related parties) and other current liabilities	1,288,793	(499,485)
Decrease in other operating liabilities	(1,651)	(1,497)
<b>Total changes in operating assets and liabilities</b>	<u>(2,185,379)</u>	<u>(93,805)</u>
<b>Total adjustments</b>	<u>(1,779,200)</u>	<u>332,726</u>
Cash inflow (outflow) generated from operations	(117,256)	1,999,543
Interest received	38,406	37,449
Dividends received	13,672	19,142
Interest paid	(16,710)	(30,745)
Income taxes paid	(639,178)	(714,200)
<b>Net cash flows from (used in) operating activities</b>	<u>(721,066)</u>	<u>1,311,189</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of property, plant and equipment	(1,528,207)	(242,192)
Proceeds from disposal of property, plant and equipment	10,646	12,924
Decrease in pledged assets	41,090	-
(Increase) decrease in refundable deposits	(11,657)	262
Acquisition of intangible assets	(26,027)	(34,244)
Acquisition of right-of-use assets	-	(320,318)
(Increase) decrease in other non-current assets	(1,510)	53
<b>Net cash flows used in investing activities</b>	<u>(1,515,665)</u>	<u>(583,515)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term borrowings	1,507,800	1,162,179
Repayment of lease principal	(65,706)	(158,015)
Cash dividends paid	(1,354,449)	(979,876)
Change in non-controlling interests	-	(3,194)
Other financing activities	27,685	231
<b>Net cash flows from financing activities</b>	<u>115,330</u>	<u>21,325</u>
Effect of exchange rate changes on cash and cash equivalents	(25,990)	(15,139)
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(2,147,391)</u>	<u>733,860</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>9,079,768</u>	<u>7,607,559</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 6,932,377</u>	<u>8,341,419</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**

**Notes to the Consolidated Financial Statements**

**September 30, 2021 and 2020**

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

**(1) Company history**

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

The consolidated financial statements of the Company as of September 30, 2021 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Company’s interest in associates. The Company is primarily engaged in the research, development, manufacture and sale of wireless networking products, integrated access devices, digital home multimedia devices and mobile broadband products. Please refer to note (4) (b) for related information of the Group primary business activities.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on November 3, 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. 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”

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

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

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

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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

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

The 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 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

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

- (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the 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.

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Except as described in the following paragraph, the significant accounting policies used in the interim financial statement are consistent with the consolidated financial statement for the year ended December 31, 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
			September 30, 2021	December 31, 2020	September 30, 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 3
"	Arcadyan Technology Corporation Korea ("Arcadyan Korea")	Selling of wireless networking products	100 %	100 %	100 %	Note 3
"	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 3
"	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 3
"	Arcadyan Technology Limited ("Arcadyan UK")	Technical support of wireless networking products	100 %	100 %	100 %	Note 3
"	Arcadyan Technology Australia Pty Ltd ("Arcadyan AU")	Selling of wireless networking products	100 %	100 %	100 %	Note 3
"	Arcadyan Technology Corporation (Russia), LLC ("Arcadyan RU")	Selling of wireless networking products	100 %	100 %	100 %	Note 3
Arcadyan Holding	Sinoprime Global Inc. ("Sinoprime")	Investment activities	100 %	100 %	100 %	Note 2
"	Arcadyan Technology (Shanghai) Corp. ("SVA")	Research and development, and selling of wireless networking products	100 %	100 %	100 %	
"	Arch Holding (BVI) Corp. ("Arch Holding")	Investment activities	100 %	100 %	100 %	

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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Investor	Name of Subsidiary	Nature of operation	Percentage ownership			Description
			September 30, 2021	December 31, 2020	September 30, 2020	
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 of digital home appliance	100 %	100 %	100 %	
Quest	Exquisite Electronic Co., Ltd. ("Exquisite")	Investment activities	100 %	100 %	100 %	
Exquisite	Tatung Home Appliances (Wujiang) Co., Ltd. ("TCH")	Manufacturing of digital home appliance	100 %	100 %	100 %	
AcBel Telecom	Leading Images Ltd. ("Leading Images")	Investment activities	- %	- %	100 %	Note 3, 4
Leading Images	Astoria Networks GmbH ("Astoria GmbH")	Selling of wireless networking products	- %	- %	100 %	Note 3, 5

Note 1: Arcadyan USA has been identified as a major subsidiary since the first quarter of 2021, but its financial statements for the third quarter of 2020 have not been reviewed by the auditors.

Note 2: Sinoprime and Arcadyan Vietnam have been identified as major subsidiaries since the second quarter of 2021, but its financial statements for the third quarter of 2020 have not been reviewed by the auditors.

Note 3: It is a non-major subsidiary and its financial statements have not been reviewed by the auditors.

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.

(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.

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, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-time events..

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(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 significant 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

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>September 30,</u> <u>2020</u>
Cash on hand	\$ 1,914	2,196	2,139
Checking accounts and demand deposits	2,471,869	3,302,965	3,796,624
Time deposits	<u>4,458,594</u>	<u>5,774,607</u>	<u>4,542,656</u>
	<u>\$ 6,932,377</u>	<u>9,079,768</u>	<u>8,341,419</u>

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

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

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>September 30,</u> <u>2020</u>
<b>Current financial assets mandatorily measured at fair value through profit or loss:</b>			
Derivative instruments not used for hedging:			
Foreign exchange forward contracts	\$ 26,476	-	2,060
Foreign exchange swaps contracts	1,077	11,069	19,049
Non derivative financial assets:			
Structured deposits	<u>259,241</u>	<u>261,674</u>	<u>-</u>
Total	<u>\$ 286,794</u>	<u>272,743</u>	<u>21,109</u>

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<b>Non-current financial assets mandatorily measured at fair value through profit or loss:</b>			
Non-derivative financial assets:			
Fund unlisted on domestic markets	\$ <u>41,176</u>	<u>42,840</u>	<u>42,139</u>
<b>Held-for-trading financial liabilities:</b>			
Derivative instruments not used for hedging:			
Foreign exchange forward contracts	\$ 4,792	48,665	26,783
Foreign exchange swaps contracts	<u>4,004</u>	<u>5,752</u>	<u>-</u>
Total	\$ <u>8,796</u>	<u>54,417</u>	<u>26,783</u>

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:

	<u>September 30, 2021</u>		
	<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity date</u>
<b>Derivative financial assets:</b>			
Forward contracts:			
Foreign exchange forward	EUR 35,000	Sell EUR / USD	October 14, 2021~ January 14, 2022
Foreign exchange forward	USD 500	Buy USD / BRL	December 14, 2021
Swap contracts:			
Foreign exchange swaps	USD 10,000	B/S USD / TWD	October 14, 2021
<b>Derivative financial liabilities:</b>			
Forward contracts:			
Foreign exchange forward	EUR 23,000	Buy USD / CNH	October 28, 2021~ November 29, 2021
Swap contracts:			
Foreign exchange swaps	USD 40,000	B/S USD / TWD	October 28, 2021~ November 29, 2021

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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	<b>December 31, 2020</b>		
	<b>Contract amount (in thousands)</b>	<b>Currency</b>	<b>Maturity date</b>
<b>Derivative financial assets:</b>			
Swap contracts:			
Foreign exchange swaps	USD 37,000	B/S USD / TWD	January 13, 2021~ February 26, 2021
<b>Derivative financial liabilities:</b>			
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
	<b>September 30, 2020</b>		
	<b>Contract amount (in thousands)</b>	<b>Currency</b>	<b>Maturity date</b>
<b>Derivative financial assets:</b>			
Forward contracts:			
Foreign exchange forward	EUR 6,000	Sell EUR / USD	January 28, 2021~ February 25, 2021
Foreign exchange forward	USD 800	Buy USD / BRL	August 26, 2021
Swap contracts:			
Foreign exchange swaps	USD 42,500	B/S USD / TWD	October 13, 2020~ December 18, 2020
<b>Derivative financial liabilities:</b>			
Forward contracts:			
Foreign exchange forward	EUR 24,000	Sell EUR / USD	October 29, 2020~ January 28, 2021

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

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

As of September 30, 2021, December 31 and September 30, 2020, the Group did not provide any aforementioned financial assets as collaterals.

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<b>Equity investments at fair value through other comprehensive income:</b>			
Stock unlisted on domestic markets	\$ <u>20,691</u>	<u>31,135</u>	<u>49,500</u>

- (i) For the three months and nine months ended September 30, 2021 and 2020, unrealized losses from above-mentioned equity measured at fair value were \$6,583, \$0, \$10,444 and \$0, respectively, under other comprehensive income.
- (ii) There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments for the nine months ended September 30, 2021 and 2020.
- (iii) Please refer to note (6)(w) for information of 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:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<b>Cash flow hedge:</b>			
Financial assets used for hedging:			
Foreign exchange forward contracts	\$ <u>19,510</u>	<u>-</u>	<u>8,778</u>
Financial liabilities used for hedging:			
Foreign exchange forward contracts	<u>-</u>	<u>2,192</u>	<u>23,069</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.

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

As of September 30, 2021, December 31 and September 30, 2020, the amounts relating to the items designated as hedging instruments were as follows:

		<b>September 30, 2021</b>			
		<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity date</u>	<u>Average strike price</u>
<b>Derivative financial assets used for hedging</b>					
<b>Forward contracts:</b>					
	Foreign exchange forward	EUR 13,000	Sell EUR / USD	October 28, 2021~ December 29, 2021	1.2157
		<b>December 31, 2020</b>			
		<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity date</u>	<u>Average strike price</u>
<b>Derivative financial liabilities used for hedging</b>					
<b>Forward contracts:</b>					
	Foreign exchange forward	EUR 6,000	Sell EUR / USD	April 29, 2021~ June 29, 2021	1.2192
		<b>September 30, 2020</b>			
		<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity date</u>	<u>Average strike price</u>
<b>Derivative financial assets used for hedging</b>					
<b>Forward contracts:</b>					
	Foreign exchange forward	EUR 11,000	Sell EUR / USD	October 29, 2020~ December 29, 2020	1.1980
<b>Derivative financial liabilities used for hedging</b>					
<b>Foreign exchange forward contracts:</b>					
	Foreign exchange forward	EUR 26,000	Sell EUR / USD	October 26, 2020~ December 29, 2020	1.1423

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Adjustments on reclassification from other comprehensive income

For the three months and nine months ended September 30, 2021 and 2020, the details of adjustments on reclassification from other comprehensive income were as follows:

	<b>For the three months ended</b>		<b>For the nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Cash flow hedge				
Profit in current year	\$ 14,674	(63,334)	39,846	16,998
Less: Net income (loss) of adjustments on reclassification from other comprehensive income which belongs to net income	13,214	(25,478)	18,144	26,418
Net profit recognized in other comprehensive income	<u>\$ 1,460</u>	<u>(37,856)</u>	<u>21,702</u>	<u>(9,420)</u>

(iv) For the three months and nine months ended September 30, 2021 and 2020, the ineffective portion of cash flow hedge recognized in gain (loss) amounted to \$0, \$(3,117), \$0 and \$1,138, respectively, recognized under the “Gains (losses) on financial assets (liabilities) at fair value through profit or loss”.

(v) For the three months and nine months ended September 30, 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

	<b>September 30,</b>	<b>December 31,</b>	<b>September 30,</b>
	<b>2021</b>	<b>2020</b>	<b>2020</b>
Notes receivable from operating activities	\$ 9,316	35,210	23,522
Accounts receivable – measured at amortized cost	7,279,122	6,805,430	7,193,428
Accounts receivable – fair value through other comprehensive income	11,635	98,655	365,455
	7,300,073	6,939,295	7,582,405
Less: allowance for uncollectible accounts	(29,536)	(26,831)	(29,118)
	<u>\$ 7,270,537</u>	<u>6,912,464</u>	<u>7,553,287</u>

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

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking macroeconomic information. The expected credit losses as of September 30, 2021, December 31 and September 30, 2020 were determined as follows:

<b>September 30, 2021</b>				
<b>Credit rating</b>	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>	<b>Credit impaired</b>
Level A	\$ 2,601,268	0%	-	No
Level B	3,944,774	0.10%	4,049	No
Level C	735,909	1.00%	7,365	No
Level D	-	-	-	-
Level E	<u>18,122</u>	100%	<u>18,122</u>	Yes
Total	<u><u>\$ 7,300,073</u></u>		<u><u>29,536</u></u>	
<b>December 31, 2020</b>				
<b>Credit rating</b>	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>	<b>Credit impaired</b>
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	<u>18,586</u>	100%	<u>18,586</u>	Yes
Total	<u><u>\$ 6,939,295</u></u>		<u><u>26,831</u></u>	
<b>September 30, 2020</b>				
<b>Credit rating</b>	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>	<b>Credit impaired</b>
Level A	\$ 3,373,279	0%	-	No
Level B	3,538,387	0.10%	3,598	No
Level C	651,736	1.00%	6,517	No
Level D	-	-	-	-
Level E	<u>19,003</u>	100%	<u>19,003</u>	Yes
Total	<u><u>\$ 7,582,405</u></u>		<u><u>29,118</u></u>	

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Overdue 1~30 days	\$ 452,509	402,324	549,426
Overdue 31~60 days	117,499	97,957	45,592
Overdue 61~90 days	14,664	4,221	103,305
Overdue 91~180 days	-	97,954	162,022
Overdue over 181 days	<u>25,833</u>	<u>122,850</u>	<u>19,003</u>
	<b><u>\$ 610,505</u></b>	<b><u>725,306</u></b>	<b><u>879,348</u></b>

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

	<b>For the nine months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 26,831	40,275
Impairment loss recognized (reversed)	<u>2,705</u>	<u>(11,157)</u>
Balance at September 30	<b><u>\$ 29,536</u></b>	<b><u>29,118</u></b>

As of September 30, 2021, December 31 and September 30, 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 for the period during the time of receiving proceeds and the accounts receivable is paid. The remaining amounts are received when the accounts receivable are paid by the customers.

As of September 30, 2021, December 31 and September 30, 2020, there were unreceived balances of transferred accounts receivable amounted to \$28,826, \$42,550 and \$8,818, respectively, which were recognized under other receivables. The details of the derecognized account receivables were as follows:

<b>September 30, 2021</b>							
<b>Purchaser</b>	<b>Accounts receivable factored (gross)</b>	<b>Amount Unpaid</b>	<b>Advanced Paid</b>	<b>Amount Recognized in other receivables</b>	<b>Collateral</b>	<b>Amount derecognized</b>	<b>Interest rate</b>
Financial institutions	\$ <u>260,274</u>	<u>-</u>	<u>231,448</u>	<u>28,826</u>	None	<u>260,274</u>	0.64%

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**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>-</u>	<u>367,625</u>	<u>42,550</u>	None	<u>410,175</u>	0.64%~0.69%
September 30, 2020							
Purchaser	Accounts receivable factored (gross)	Amount Unpaid	Advanced Paid	Amount Recognized in other receivables	Collateral	Amount derecognized	Interest rate
Financial							
institutions	\$ <u>59,336</u>	<u>-</u>	<u>50,518</u>	<u>8,818</u>	None	<u>59,336</u>	0.64%~0.69%

## (f) Inventories

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

	September 30, 2021	December 31, 2020	September 30, 2020
Raw materials	\$ 7,933,989	3,620,329	3,536,455
Work in progress	680,663	467,329	804,007
Finished goods	<u>4,371,616</u>	<u>3,938,938</u>	<u>3,354,657</u>
	<u>\$ 12,986,268</u>	<u>8,026,596</u>	<u>7,695,119</u>

(ii) Inventory cost recognized as operating cost for the three months and nine months ended September 30, 2021 and 2020 were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Cost of sales and expenses	\$ 8,241,594	7,980,961	24,613,511	20,703,878
Provision for inventory valuation and obsolescence loss (gain from price recovery of inventory)	<u>(120,809)</u>	<u>105,000</u>	<u>72,940</u>	<u>307,932</u>
	<u>\$ 8,120,785</u>	<u>8,085,961</u>	<u>24,686,451</u>	<u>21,011,810</u>

(iii) As of September 30, 2021, December 31 and September 30, 2020, the Group did not provide any inventories as collaterals.

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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(g) Investments accounted for using equity method

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Aggregate carrying amount of the Group's associates that are individually insignificant	\$ <u>330,686</u>	<u>338,590</u>	<u>335,339</u>

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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Profit (loss) from continuing operations	\$ 3,182	5,385	6,036	6,221
Other comprehensive income (loss)	(49)	46	(153)	24
Total comprehensive income	\$ <u>3,133</u>	<u>5,431</u>	<u>5,883</u>	<u>6,245</u>

(ii) As of September 30, 2021, December 31 and September 30, 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 nine months ended September 30, 2021 and 2020 were as follows:

	<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>Construction in progress and prepayment for purchase of equipment</u>	<u>Total</u>
<b>Cost or deemed cost:</b>								
Balance at January 1, 2021	\$ 463,262	828,128	2,196,610	587,071	212,438	723,336	28,249	5,039,094
Additions	415,716	-	571,037	80,991	21,207	36,650	417,584	1,543,185
Reclassifications	-	-	323	2,009	-	(190,461)	186,394	(1,735)
Disposals and derecognitions	-	-	(169,589)	(25,886)	(9,008)	(23,773)	-	(228,256)
Effect of movements in exchange rates	-	-	(35,965)	(1,439)	(270)	(8,817)	(5,782)	(52,273)
Balance at September 30, 2021	\$ <u>878,978</u>	<u>828,128</u>	<u>2,562,416</u>	<u>642,746</u>	<u>224,367</u>	<u>536,935</u>	<u>626,445</u>	<u>6,300,015</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	-	-	147,546	58,330	18,848	156,146	19,193	400,063
Reclassifications	-	-	4,279	16,589	-	2,516	(37,430)	(14,046)
Disposals and derecognitions	-	-	(112,302)	(8,957)	(44,661)	(15,534)	-	(181,454)
Effect of movements in exchange rates	-	-	(59,652)	(1,689)	(310)	(8,304)	(146)	(70,101)
Balance at September 30, 2020	\$ <u>463,262</u>	<u>828,128</u>	<u>2,244,923</u>	<u>564,672</u>	<u>224,714</u>	<u>564,367</u>	<u>23,490</u>	<u>4,913,556</u>

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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	Land	Buildings and construction	Machinery and equipment	Research and development equipment	Mold equipment	Leasehold improvement and other equipment	Construction in progress and prepayment for purchase of equipment	Total
<b>Depreciation:</b>								
Balance at January 1, 2021	\$ -	98,676	1,562,332	383,779	176,630	299,668	-	2,521,085
Depreciation	-	12,801	166,250	45,243	13,331	57,620	-	295,245
Reclassifications	-	-	(110)	-	-	(8)	-	(118)
Disposals and derecognitions	-	-	(166,613)	(24,303)	(9,006)	(23,155)	-	(223,077)
Effect of movements in exchange rates	-	-	(16,829)	(527)	(76)	(3,221)	-	(20,653)
Balance at September 30, 2021	<u>\$ -</u>	<u>111,477</u>	<u>1,545,030</u>	<u>404,192</u>	<u>180,879</u>	<u>330,904</u>	<u>-</u>	<u>2,572,482</u>
Balance at January 1, 2020	\$ -	81,608	1,567,053	340,118	219,941	257,796	-	2,466,516
Depreciation	-	12,801	152,106	37,526	12,076	55,004	-	269,513
Reclassifications	-	-	(229)	-	-	15	-	(214)
Disposals and derecognitions	-	-	(111,597)	(6,951)	(44,637)	(14,555)	-	(177,740)
Effect of movements in exchange rates	-	-	(38,708)	(547)	(59)	(4,042)	-	(43,356)
Balance at September 30, 2020	<u>\$ -</u>	<u>94,409</u>	<u>1,568,625</u>	<u>370,146</u>	<u>187,321</u>	<u>294,218</u>	<u>-</u>	<u>2,514,719</u>
<b>Carrying amounts:</b>								
Balance at September 30, 2021	<u>\$ 878,978</u>	<u>716,651</u>	<u>1,017,386</u>	<u>238,554</u>	<u>43,488</u>	<u>206,031</u>	<u>626,445</u>	<u>3,727,533</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 September 30, 2020	<u>\$ 463,262</u>	<u>733,719</u>	<u>676,298</u>	<u>194,526</u>	<u>37,393</u>	<u>270,149</u>	<u>23,490</u>	<u>2,398,837</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>

(i) In response to the demand of business operation, the Group decided to purchase land by a resolution of the Board of Directors on March 17, 2021. In addition, the Group has signed the land purchase agreement amounting to \$415,480 with non-related parties on April 7, 2021. As of September 30, 2021, the procedures of ownership-transfer has been completed and the relevant amount has been fully paid.

(ii) As of September 30, 2021, December 31 and September 30, 2020, the Group did not provide any property, plant and equipment as collaterals.

(i) Right-of-use assets

The Group leases land, buildings, machinery equipment and vehicles and recognizes as right-of-use assets. The cost and depreciation of the right-of-use assets of the Group for the nine months ended September 30, 2021 and 2020 were as follow:

	Land	Buildings	Machinery 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	-	26,302	-	5,982	32,284
Disposal/write-off	-	(22,851)	-	(4,755)	(27,606)
Effect of movements in exchange rates	(7,367)	(6,222)	-	-	(13,589)
Balance at September 30, 2021	<u>\$ 298,944</u>	<u>421,061</u>	<u>81,081</u>	<u>11,875</u>	<u>812,961</u>

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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	<u>Land</u>	<u>Buildings</u>	<u>Machinery Equipment</u>	<u>Vehicles and Other</u>	<u>Total</u>
Balance at January 1, 2020	\$ -	157,553	81,081	16,264	254,898
Additions	320,318	247,009	-	2,997	570,324
Disposal/write-off	-	(65,875)	-	(5,817)	(71,692)
Effect of movements in exchange rates	(7,488)	(7,403)	-	(52)	(14,943)
Balance at September 30, 2020	<u>\$ 312,830</u>	<u>331,284</u>	<u>81,081</u>	<u>13,392</u>	<u>738,587</u>
Depreciation:					
Balance at January 1, 2021	\$ 5,600	60,568	25,675	6,605	98,448
Depreciation for the period	4,967	68,801	12,162	3,413	89,343
Disposal/Write-off	-	(22,851)	-	(4,755)	(27,606)
Effect of movements in exchange rates	(183)	(1,015)	-	-	(1,198)
Balance at September 30, 2021	<u>\$ 10,384</u>	<u>105,503</u>	<u>37,837</u>	<u>5,263</u>	<u>158,987</u>
Balance at January 1, 2020	\$ -	89,764	9,459	7,865	107,088
Depreciation for the period	4,099	68,831	12,162	5,945	91,037
Disposal/write-off	-	(65,875)	-	(5,817)	(71,692)
Effect of movements in exchange rates	(96)	(1,343)	-	(42)	(1,481)
Balance at September 30, 2020	<u>\$ 4,003</u>	<u>91,377</u>	<u>21,621</u>	<u>7,951</u>	<u>124,952</u>
Carrying amount:					
Balance on September 30, 2021	<u>\$ 288,560</u>	<u>315,558</u>	<u>43,244</u>	<u>6,612</u>	<u>653,974</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 September 30, 2020	<u>\$ 308,827</u>	<u>239,907</u>	<u>59,460</u>	<u>5,441</u>	<u>613,635</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 right-of-use will be until October 13, 2065, and the relevant amount has been paid.

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(j) Intangible Assets

The cost and accumulated amortization of intangible assets of the Group for the nine months ended September 30, 2021 and 2020 were as follows:

	<u>Goodwill</u>	<u>Authorization fee</u>	<u>Computer software and others</u>	<u>Total</u>
Carrying amount:				
September 30, 2021	\$ <u>6,556</u>	<u>8,072</u>	<u>60,523</u>	<u>75,151</u>
January 1, 2021	\$ <u>6,556</u>	<u>11,276</u>	<u>57,468</u>	<u>75,300</u>
September 30, 2020	\$ <u>6,556</u>	<u>12,375</u>	<u>58,497</u>	<u>77,428</u>
January 1, 2020	\$ <u>6,556</u>	<u>15,981</u>	<u>44,341</u>	<u>66,878</u>

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the nine months ended September 30, 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.

As of September 30, 2021, December 31 and September 30, 2020, the Group did not provide any intangible assets as collaterals.

(k) Short-term borrowings

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Unsecured bank loans	\$ <u>2,215,595</u>	<u>707,795</u>	<u>1,681,217</u>
Unused credit line for short-term borrowings	\$ <u>7,525,860</u>	<u>9,028,972</u>	<u>8,230,312</u>
Annual interest rates	<u>0.05%~1.17%</u>	<u>0.25%~2.22%</u>	<u>0.25%~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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Temporary receipts–non-recurring engineering revenue and collection on behalf of others	\$ 332,421	476,161	350,446
Others	<u>91,003</u>	<u>80,293</u>	<u>82,378</u>
	<u>\$ 423,424</u>	<u>556,454</u>	<u>432,824</u>

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(m) Unsecured convertible bonds payable

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

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Total convertible bonds issued	\$ 1,000,000	1,000,000	1,000,000
Unamortized discounts on bonds payable	(7,702)	(18,527)	(21,758)
Unamortized issuance cost on bonds payable	(619)	(1,254)	(1,473)
Accumulated converted amount	<u>(112,300)</u>	<u>-</u>	<u>-</u>
Balance of bonds payable as of the reporting date	<u>\$ 879,379</u>	<u>980,219</u>	<u>976,769</u>
Conversion options included in equity components (recognized as capital surplus-stock options)	<u>\$ 43,201</u>	<u>48,667</u>	<u>48,667</u>
	<b>For the three months ended September 30,</b>	<b>For the nine months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>
Interest expenses	<u>\$ 3,100</u>	<u>3,438</u>	<u>10,018</u>
			<u>10,277</u>

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

- (ii) As the maturity date of the convertible bonds is on June 6, 2022, therefore, the convertible bonds are reclassified under current liabilities as of June 30, 2021.
- (iii) As of September 30, 2021, the convertible bonds were converted into ordinary shares of the Company with \$13,582 with a par value of \$112,300, and the capital surplus were recognized with \$102,741 (including the stock options reclassified as Additional paid-in capital of \$5,465 and the unamortized discounts on bonds payable of \$1,442).
- (iv) The Group did not issue or repurchase bonds payable for the nine months ended September 30, 2021 and 2020. Please refer to Note (6)(m) 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**

(n) Lease liabilities

The details of lease liabilities were as follows:

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Current	<u>\$ 89,723</u>	<u>83,370</u>	<u>54,145</u>
Non-current	<u>\$ 254,399</u>	<u>297,446</u>	<u>194,788</u>

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

The amounts recognized in profit or loss were as follows:

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Interest expense on lease liabilities	<u>\$ 2,981</u>	<u>3,048</u>	<u>9,200</u>	<u>5,029</u>
Expenses relating to short-term leases	<u>\$ 8,008</u>	<u>7,346</u>	<u>29,088</u>	<u>21,290</u>

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

	<b>For the nine months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>
Total cash outflow for leases	<u>\$ 103,994</u>	<u>184,334</u>

(i) Real estate, machinery equipment and vehicles leases

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

(ii) Other leases

The Group leases offices and parts of vehicles with contract terms of 1 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 nine months ended September 30, 2021 and 2020. Please refer to Note (6)(o) 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**

(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:

	<b>For the three months ended</b>		<b>For the nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Operating cost	\$ 74	43	216	122
Selling expenses	55	45	168	131
Administration expenses	76	98	231	315
Research and development expenses	266	333	798	987
	<b><u>\$ 471</u></b>	<b><u>519</u></b>	<b><u>1,413</u></b>	<b><u>1,555</u></b>

(ii) Defined contribution plans

The pension expenses of the Company and domestic subsidiaries under the pension plan contributed to the Bureau of Labor Insurance for the three months and nine months ended September 30, 2021 and 2020 were as follows:

	<b>For the three months ended</b>		<b>For the nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Operating cost	\$ 933	341	2,772	1,025
Selling expenses	1,112	1,248	3,266	3,860
Administration expenses	1,274	1,855	3,791	5,535
Research and development expenses	9,523	8,604	27,492	24,897
	<b><u>\$ 12,842</u></b>	<b><u>12,048</u></b>	<b><u>37,321</u></b>	<b><u>35,317</u></b>

Other subsidiaries recognized the pension expenses, basic endowment insurance expenses, and social welfare expenses amounting to \$16,276, \$12,650, \$43,894 and \$26,475 for the three months and nine months ended September 30, 2021 and 2020, respectively.

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(q) Income taxes

- (i) Income tax expenses for the period are the 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 September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Income tax expense	\$ 157,360	172,696	409,284	536,144

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Items that might be reclassified subsequently to profit or loss:				
Foreign currency translation differences of foreign operations	\$ (2,320)	(5,638)	(13,645)	(11,346)

- (iii) The ROC tax authorities have examined the income tax expenses of the Company, TTI, Acbel Telecom and ZHI-BAO through 2019, except for 2018 of TTI. 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 September 30, 2021 and 2020. Please refer to note (6)(r) of the 2020 annual consolidated financial statements for other related information.

- (i) Ordinary shares

In 2018, the Company issued its employee restricted shares amounting to \$45,000, wherein the amount of \$420 and \$950, respectively, had been cancelled due to failure in meeting the vested requirements in the nine months ended September 30, 2021 and 2020. As of the reporting date, the registration procedures had been completed.

For the nine months ended September 30, 2021, by the request of bonds holders, the convertible bonds issued by the Company were converted into ordinary shares of \$13,582 with 1,358 thousand new shares issued at per value. The registration procedures had already been completed.

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Capital surplus

	September 30, 2021	December 31, 2020	September 30, 2020
Additional paid-in capital-premium	\$ 3,428,824	3,488,459	3,488,459
Difference between consideration and carry amount arising from acquisition or disposal of subsidiaries	3,698	3,698	3,698
Changes in equity of associates, joint ventures and subsidiaries accounted for using equity method	5,488	5,602	5,738
Issuance of convertible bonds	43,202	48,667	48,667
Issuance of employee restricted shares	69,587	115,168	114,862
	<u>\$ 3,550,799</u>	<u>3,661,594</u>	<u>3,661,424</u>

The capital surplus resulted from the conversion of unsecured convertible bonds converted into ordinary shares from January 1 to September 30, 2021 was \$102,741 (including the stock options reclassified as Additional paid in capital of \$5,465 and the unamortized discounts on bonds payable of \$1,442).

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

(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.

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(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 September 30, 2021 and 2020. For the related information, please refer to note (6)(s) of the 2020 annual consolidated financial statements for other related information.

(t) Earnings per share

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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Basic earnings per share:				
Profit attributable to ordinary shareholders of the Company	\$ <u><u>486,514</u></u>	<u><u>573,980</u></u>	<u><u>1,322,326</u></u>	<u><u>1,185,648</u></u>
Weighted average number of ordinary shares (in thousands)	<u><u>207,452</u></u>	<u><u>205,323</u></u>	<u><u>206,575</u></u>	<u><u>204,570</u></u>
	\$ <u><u>2.35</u></u>	<u><u>2.80</u></u>	<u><u>6.40</u></u>	<u><u>5.80</u></u>
Diluted earnings per share:				
Profit attributable to ordinary shareholders of the Company (diluted)	\$ <u><u>489,614</u></u>	<u><u>577,418</u></u>	<u><u>1,332,344</u></u>	<u><u>1,195,925</u></u>
Weighted average number of ordinary shares (in thousands)	207,452	205,323	206,575	204,570
Effect of dilutive potential ordinary shares:				
Employee remunerations	2,478	2,217	3,212	2,919
Employee restricted shares unvested	1,783	2,099	1,911	2,776
Convertible bonds payable	<u>10,959</u>	<u>11,403</u>	<u>11,711</u>	<u>11,403</u>
Weighted-average number of ordinary shares (diluted) (in thousands)	<u><u>222,672</u></u>	<u><u>221,042</u></u>	<u><u>223,409</u></u>	<u><u>221,668</u></u>
	\$ <u><u>2.20</u></u>	<u><u>2.61</u></u>	<u><u>5.96</u></u>	<u><u>5.40</u></u>

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**Notes to the Consolidated Financial Statements**

(u) Revenue from contracts with customers

(i) Details of revenue

	<b>For the three months ended September 30, 2021</b>		
	<b>Networking Product Segment</b>	<b>Digital Set Top Box Product Segment</b>	<b>Total</b>
Primary geographical markets:			
Europe	\$ 4,781,612	361,178	5,142,790
America	2,880,480	56,431	2,936,911
Asia and others	<u>1,383,646</u>	<u>17,941</u>	<u>1,401,587</u>
	<b><u>\$ 9,045,738</u></b>	<b><u>435,550</u></b>	<b><u>9,481,288</u></b>
Major products:			
Networking products	\$ 7,939,609	57,470	7,997,079
Digital set-top-box products	845,591	325,175	1,170,766
Materials and others	<u>260,538</u>	<u>52,905</u>	<u>313,443</u>
	<b><u>\$ 9,045,738</u></b>	<b><u>435,550</u></b>	<b><u>9,481,288</u></b>
	<b>For the three months ended September 30, 2020</b>		
	<b>Networking Product Segment</b>	<b>Digital Set Top Box Product Segment</b>	<b>Total</b>
Primary geographical markets:			
Europe	\$ 4,232,982	291,664	4,524,646
America	2,712,032	6	2,712,038
Asia and others	<u>2,263,866</u>	<u>51,238</u>	<u>2,315,104</u>
	<b><u>\$ 9,208,880</u></b>	<b><u>342,908</u></b>	<b><u>9,551,788</u></b>
Major products:			
Networking products	\$ 7,999,282	-	7,999,282
Digital set-top-box products	1,109,006	326,262	1,435,268
Materials and others	<u>100,592</u>	<u>16,646</u>	<u>117,238</u>
	<b><u>\$ 9,208,880</u></b>	<b><u>342,908</u></b>	<b><u>9,551,788</u></b>

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>For the nine months ended September 30, 2021</b>		
	<b>Networking Product Segment</b>	<b>Digital Set Top Box Product Segment</b>	<b>Total</b>
Primary geographical markets:			
Europe	\$ 14,806,201	1,490,497	16,296,698
America	7,745,913	79,465	7,825,378
Asia and others	<u>4,503,885</u>	<u>28,504</u>	<u>4,532,389</u>
	<b><u>\$ 27,055,999</u></b>	<b><u>1,598,466</u></b>	<b><u>28,654,465</u></b>
Major products:			
Networking products	\$ 23,472,047	74,132	23,546,179
Digital set-top-box products	2,996,046	1,365,862	4,361,908
Materials and others	<u>587,906</u>	<u>158,472</u>	<u>746,378</u>
	<b><u>\$ 27,055,999</u></b>	<b><u>1,598,466</u></b>	<b><u>28,654,465</u></b>
	<b>For the nine months ended September 30, 2020</b>		
	<b>Networking Product Segment</b>	<b>Digital Set Top Box Product Segment</b>	<b>Total</b>
Primary geographical markets:			
Europe	\$ 11,266,022	880,112	12,146,134
America	6,898,081	6	6,898,087
Asia and others	<u>5,484,266</u>	<u>114,794</u>	<u>5,599,060</u>
	<b><u>\$ 23,648,369</u></b>	<b><u>994,912</u></b>	<b><u>24,643,281</u></b>
Major products:			
Networking products	\$ 20,266,361	-	20,266,361
Digital set-top-box products	2,999,184	949,728	3,948,912
Materials and others	<u>382,824</u>	<u>45,184</u>	<u>428,008</u>
	<b><u>\$ 23,648,369</u></b>	<b><u>994,912</u></b>	<b><u>24,643,281</u></b>

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Contract balances

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Notes and accounts receivable	\$ 7,300,073	6,939,295	7,582,405
Less: allowance for uncollectible accounts	<u>(29,536)</u>	<u>(26,831)</u>	<u>(29,118)</u>
Total	<u><b>\$ 7,270,537</b></u>	<u><b>6,912,464</b></u>	<u><b>7,553,287</b></u>

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

(v) Remuneration to employees and directors

Based on the Company's articles of incorporation, if there is any profit 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.

The employee remuneration amounted to \$83,734, \$82,066, \$230,479 and \$188,688 for the three months and the nine months ended September 30, 2021 and 2020, respectively. The remuneration of directors amounted to \$4,488, \$5,191, \$12,532 and \$12,149 for the three months and the nine months ended September 30, 2021 and 2020, 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 each period. The differences between the actual amounts and the estimate recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in the distribution year. If the Board of Directors approve to distribute employee remuneration in the form of stock, the number of the shares of the employee remuneration is determined based on the closing price of the day before the approved by the Board of Directors.

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 by the Board of Directors and those recognized in the financial statements, and the related information can be accessed through the Market Observation Post System website.

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(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 2020 annual consolidated financial statements 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 credit risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Besides, due to the counterparties of the time deposits held by the Group are financial institutions with investment grade and above credit ratings, these time deposits are considered to have low credit risk.

The allowance provision as of September 30, 2021 and 2020 was determined as follows:

	<b>Other receivables</b>
Balance at January 1, 2021	\$ 45
Impairment loss recognized	(28)
Balance at September 30, 2021	<b>\$ 17</b>
Balance at January 1, 2020	\$ 105
Impairment loss recognized	(27)
Balance at September 30, 2020	<b>\$ 78</b>

(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.

	<b>Carrying Amount</b>	<b>Contractual cash flows</b>	<b>Within a year</b>	<b>1 ~ 2 years</b>	<b>Over 2 years</b>
<b>September 30, 2021</b>					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 2,215,595	(2,215,595)	(2,215,595)	-	-
Accounts payable (including related parties)	12,320,270	(12,320,270)	(12,320,270)	-	-
Other payables (including related parties)	3,694,653	(3,694,653)	(3,694,653)	-	-
Bonds payable	879,379	(887,700)	(887,700)	-	-
Lease liability— current and non-current	344,122	(366,107)	(100,055)	(99,067)	(166,985)

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
Derivative financial liabilities					
Other foreign exchange forward contracts:	4,792				
Outflow		(645,405)	(645,405)	-	-
Inflow		639,285	639,285	-	-
Foreign exchange swaps	4,004				
Outflow		(1,111,800)	(1,111,800)	-	-
Inflow		1,110,649	1,110,649	-	-
	<u>\$ 19,462,815</u>	<u>(19,491,596)</u>	<u>(19,225,544)</u>	<u>(99,067)</u>	<u>(166,985)</u>
<b>December 31, 2020</b>					
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>

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

September 30, 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	\$ 1,681,217	(1,681,217)	(1,681,217)	-	-
Accounts payable (including related parties)	9,790,934	(9,790,934)	(9,790,934)	-	-
Other payables	2,109,551	(2,109,551)	(2,109,551)	-	-
Bonds payable	976,769	(1,000,000)	-	(1,000,000)	-
Lease liability— current and non-current	248,933	(277,082)	(64,711)	(56,984)	(155,387)
Derivative financial liabilities					
Other foreign exchange forward:	26,783				
Outflow		(816,000)	(816,000)	-	-
Inflow		791,837	791,837	-	-
Foreign exchange swaps:	23,069				
Outflow		(884,000)	(884,000)	-	-
Inflow		864,826	864,826	-	-
	<u>\$ 14,857,256</u>	<u>(14,902,121)</u>	<u>(13,689,750)</u>	<u>(1,056,984)</u>	<u>(155,387)</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>September 30, 2021</u>			<u>December 31, 2020</u>			<u>September 30, 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	\$	457,203	USD/TWD =27.795	12,707,957	341,464	USD/TWD =28.48	9,724,895	363,810	USD/TWD =29.12	10,594,147
EUR		45,289	EUR/TWD =32.43	1,468,722	60,407	EUR/TWD =34.94	2,110,621	43,432	EUR/TWD =34.00	1,476,688

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	September 30, 2021			December 31, 2020			September 30, 2020		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial liabilities									
USD	552,025	USD/TWD =27.795	15,343,535	448,686	USD/TWD =28.48	12,778,577	421,942	USD/TWD =29.12	12,286,951
EUR	10,677	EUR/TWD =32.43	346,255	3,781	EUR/TWD =34.94	132,108	3,468	EUR/TWD =34.00	117,912

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 (including related parties), 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 September 30, 2021 and 2020 would have affected the net profit before tax as follows. The analysis is performed on the same basis for both periods:

	September 30, 2021	September 30, 2020
USD (against the TWD)		
Strengthening 5%	\$ (131,779)	(84,640)
Weakening 5%	131,779	84,640
EUR (against the TWD)		
Strengthening 5%	56,123	67,939
Weakening 5%	(56,123)	(67,939)

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 and nine months ended September 30, 2021 and 2020, the foreign exchange (loss) gain (including realized and unrealized portions) amounted to \$(29,492), \$12,047, \$(153,524) and \$(65,917), respectively.

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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(iv) Interest rate analysis

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

	<b>Book value</b>	
	<b>September 30, 2021</b>	<b>September 30, 2020</b>
Fixed rate financial instrument:		
Financial assets	\$ 4,458,594	4,507,656
Financial liabilities	(3,094,974)	(2,657,986)
	<b>\$ 1,363,620</b>	<b>1,849,670</b>
Variable rate financial instrument:		
Financial assets	<b>\$ 2,470,890</b>	<b>3,831,543</b>

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 whole 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 \$4,633 and \$7,184 for the nine months ended September 30, 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 are 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.

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	September 30, 2021				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss — current and non-current</b>					
Derivative financial assets	\$ 27,553	-	27,553	-	27,553
Non-derivative financial assets mandatorily measured at fair value through profit or loss	<u>300,417</u>	-	259,241	41,176	300,417
Subtotal	<u>327,970</u>				
<b>Financial assets for hedging</b>	<u>19,510</u>	-	19,510	-	19,510
<b>Financial assets measured at fair value through other comprehensive income</b>					
Stocks unlisted in domestic markets	20,691	-	-	20,691	20,691
Accounts receivable	<u>11,635</u>	-	11,635	-	11,635
Subtotal	<u>32,326</u>				
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	6,932,377	-	-	-	-
Notes and accounts receivable, net (including related parties)	7,258,902	-	-	-	-
Other receivables	183,029	-	-	-	-
Refundable deposits	<u>56,522</u>	-	-	-	-
Subtotal	<u>14,430,830</u>				
Total	<u>\$ 14,810,636</u>				
<b>Financial liabilities at fair value through profit or loss</b>					
Derivative financial liabilities	\$ <u>8,796</u>	-	8,796	-	8,796
<b>Financial liabilities at amortized cost</b>					
Short-term borrowings	2,215,595	-	-	-	-
Accounts payable (including related parties)	12,320,270	-	-	-	-
Other payables (including related parties)	3,694,653	-	-	-	-
Bonds payable	879,379	-	-	-	-
Lease liabilities—current and non-current	344,122	-	-	-	-
Deposits received	<u>29,828</u>	-	-	-	-
Subtotal	<u>19,483,847</u>				
Total	<u>\$ 19,492,643</u>				

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	December 31, 2020				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss—current and non-current</b>					
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>				
<b>Financial assets measured at fair value through other comprehensive income</b>					
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>				
<b>Financial assets measured at amortized cost:</b>					
Cash and cash equivalents	9,079,768	-	-	-	-
Notes and accounts receivable, net	6,813,809	-	-	-	-
Other receivables	160,521	-	-	-	-
Refundable deposits	<u>85,955</u>	-	-	-	-
Subtotal	<u>16,140,053</u>				
Total	<u>\$ 16,585,426</u>				
<b>Financial liabilities at fair value through profit or loss</b>					
Derivative financial liabilities	\$ <u>54,417</u>	-	54,417	-	54,417
<b>Financial liabilities for hedging</b>	<u>2,192</u>	-	2,192	-	2,192
<b>Financial liabilities measured at amortized cost</b>					
Short-term borrowings	707,795	-	-	-	-
Accounts payable (including related parties)	10,334,606	-	-	-	-
Other payables (including related parties)	2,575,046	-	-	-	-
Dividends payable	11	-	-	-	-
Bonds payable	980,219	-	-	-	-
Lease liabilities—current and non-current	380,816	-	-	-	-
Deposits received	<u>2,073</u>	-	-	-	-
Subtotal	<u>14,980,566</u>				
Total	<u>\$ 15,037,175</u>				

(Continued)

**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	September 30, 2020				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss — current and non-current</b>					
Derivative financial assets	\$ 21,109	-	21,109	-	21,109
Non-derivative financial assets mandatorily measured at fair value through profit or loss	<u>42,139</u>	-	-	42,139	42,139
Subtotal	<u>63,248</u>				
<b>Financial assets for hedging</b>	<u>8,778</u>	-	8,778	-	8,778
<b>Financial assets measured at fair value through other comprehensive income</b>					
Stocks unlisted in domestic markets	49,500	-	-	49,500	49,500
Accounts receivable	<u>365,455</u>	-	365,455	-	365,455
Subtotal	<u>414,955</u>				
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	8,341,419	-	-	-	-
Notes and accounts receivable, net	7,187,832	-	-	-	-
Other receivables	<u>89,791</u>	-	-	-	-
Subtotal	<u>15,619,042</u>				
Total	<u>\$ 16,106,023</u>				
<b>Financial liabilities at fair value through profit or loss</b>					
Derivative financial liabilities	\$ <u>26,783</u>	-	26,783	-	26,783
<b>Financial liabilities for hedging</b>	<u>23,069</u>	-	23,069	-	23,069
<b>Financial liabilities at amortized cost</b>					
Short-term borrowings	1,681,217	-	-	-	-
Accounts payable (including related parties)	9,790,934	-	-	-	-
Other payables (including related parties)	2,109,551	-	-	-	-
Bonds payable	976,769	-	-	-	-
Lease liabilities—current and non-current	248,933	-	-	-	-
Deposits received	<u>1,938</u>	-	-	-	-
Subtotal	<u>14,809,342</u>				
Total	<u>\$ 14,859,194</u>				

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

3) 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 contracts 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 for the nine months ended September 30, 2021 and 2020.

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

5) Reconciliation of Level 3 fair values

	<u>Fair value through profit of loss</u>	<u>Fair value through other comprehensive income</u>
	<u>Non derivation mandatorily measured at fair value through profit or loss</u>	<u>Unquoted equity instruments</u>
Balance at January 1, 2021	\$ 42,840	31,135
Total gains and losses recognized		
In profit or loss	(1,664)	-
In other comprehensive income (loss)	-	(10,444)
Balance at September 30, 2021	<u>\$ 41,176</u>	<u>20,691</u>
Balance at January 1, 2020	\$ 44,262	49,500
Total gains and losses recognized		
In profit or loss	(2,123)	-
Balance at September 30, 2020	<u>\$ 42,139</u>	<u>49,500</u>

For the three months and nine months ended September 30, 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:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Total gains and losses recognized:				
In profit or loss, and presented in “Gains and losses on financial assets(liabilities) at fair value through profit or loss”	<u>\$ 959</u>	<u>2,998</u>	<u>(1,664)</u>	<u>(2,123)</u>

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
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	<b>For the three months ended</b>		<b>For the nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
In other comprehensive income, and presented in “unrealized gains and losses from investment in equity instruments measured at fair value through other comprehensive income”	\$ <u>(6,583)</u>	<u>-</u>	<u>(10,444)</u>	<u>-</u>

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

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

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

Quantified information of significant unobservable inputs was as follows:

<b>Item</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Inter-relationship between significant unobservable inputs and fair value measurement</b>
Financial assets at fair value through other comprehensive income– equity investment without an active market	Comparable market approach	<ul style="list-style-type: none"> <li>· Price-Book ratio multiples (1.37~4.17, 1.45~5.33 and 1.24~4.27 on September 30, 2021, December 31 and September 30, 2020, respectively)</li> <li>· Lack-of-Marketability discount rate (30% on September 30, 2021, December 31 and September 30, 2020)</li> </ul>	<ul style="list-style-type: none"> <li>· The higher the multiple is , the higher the fair value will be.</li> <li>· The higher the Lack-of-Marketability discount rate is, the lower the fair value will be.</li> </ul>

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<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through profit or loss—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>
<b>September 30, 2021</b>				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	\$ <u>1,034</u>	<u>1,076</u>
	Lack-of-Marketability discount rate	5%	\$ <u>446</u>	<u>458</u>
<b>December 31, 2020</b>				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	\$ <u>1,572</u>	<u>1,599</u>
	Lack-of-Marketability discount rate	5%	\$ <u>660</u>	<u>689</u>
<b>September 30, 2020</b>				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	\$ <u>1,434</u>	<u>1,452</u>
	Lack-of-Marketability discount rate	5%	\$ <u>619</u>	<u>619</u>

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

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8) Offsetting financial assets and financial liabilities

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

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

Unit: In thousand dollars of TWD and USD

September 30, 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	\$ 8,019,665	8,019,665	-	-	-	-
	(USD 288,529 )	(USD 288,529 )				

September 30, 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	\$ 8,019,665	8,019,665	-	-	-	-
	(USD 288,529 )	(USD 288,529 )				

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 )				

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

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September 30, 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	\$ 873,599	873,599	-	-	-	-
	(USD 30,000 )	(USD 30,000 )				

September 30, 2020						
Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a) (b)	Amounts not off set in the balance sheet (d)		Net amount (e)=(c) (d)
				Financial instruments (Note)	Cash collateral received	
Short-term borrowings	\$ 873,599	873,599	-	-	-	-
	(USD 30,000 )	(USD 30,000 )				

(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 quantified 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 cash flow

The Group's investing and financing activities which did not affect the cash flow for the nine months ended September 30, 2021 and 2020 were as follow:

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

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(ii) Reconciliation of liabilities arising from financing activities were as follows:

	<b>January 1, 2021</b>	<b>Cash flows</b>	<b>Non-cash changes Other</b>	<b>September 30, 2021</b>
Short-term borrowings	\$ 707,795	1,507,800	-	2,215,595
Lease liabilities	380,816	(65,706)	29,012	344,122
Bonds payable	980,219	-	(100,840)	879,379
Deposits received	2,073	27,685	70	29,828
Total liabilities from financing activities	<u>\$ 2,070,903</u>	<u>1,469,779</u>	<u>(71,758)</u>	<u>3,468,924</u>

  

	<b>January 1, 2020</b>	<b>Cash flows</b>	<b>Non-cash changes Other</b>	<b>September 30, 2020</b>
Short-term borrowings	\$ 519,038	1,162,179	-	1,681,217
Lease liabilities	156,807	(158,015)	250,141	248,933
Bonds payable	966,492	-	10,277	976,769
Deposits received	1,782	231	(75)	1,938
Total liabilities from financing activities	<u>\$ 1,644,119</u>	<u>1,004,395</u>	<u>260,343</u>	<u>2,908,857</u>

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

(a) Parent company and ultimate controlling party

Compal Electronics Inc.(CEI) is not only the parent company of the consolidated entity but also the ultimate controlling party of the Group. CEI owns 35 percent of all outstanding shares of the Company, and 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 parties during the periods covered in the consolidated financial statements.

<b>Name of related party</b>	<b>Relationship with the Group</b>
Compal Electronics, INC.	Parent company
Compal Display Electronics (Kunshan) Co., Ltd.	The entity's ultimate parent company is the same.
Compal Electronics (Vietnam) Co., Ltd. (“CVC”)	"
Kinpo Group Management Service Company	The chairman of parent company is the same as that of the entity.
AcBel Polytech Inc.	An associate of parent company.
LIZ Electronics (Nantong) Co., Ltd.	"
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:

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Parent Company	\$ 8,982	522	9,431	2,009
Other related parties	30,649	24,412	95,669	86,392
	<b><u>\$ 39,631</u></b>	<b><u>24,934</u></b>	<b><u>105,100</u></b>	<b><u>88,401</u></b>

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 not 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 were as follows:

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Other related parties	\$ <b><u>6,529</u></b>	<b><u>6,793</u></b>	<b><u>17,474</u></b>	<b><u>14,920</u></b>

(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 and nine months ended September 30, 2021 and 2020, the Group recognized the amounts of \$55, \$138, \$224 and \$475, respectively, as interest expenses. As of September 30, 2021, December 31 and September 30, 2020, the balance of lease liabilities amounted to \$2,394, \$5,894 and \$7,142, respectively.

The Group leased machinery from other related parties—CVC with a contract term of 5 years in June 2019. The lease payment was collected by the parent company and had been paid in 2020. The balance of right-of-use assets amounted to \$43,244, \$55,406 and \$59,460 on September 30, 2021, December 31 and September 30, 2020, respectively.

In April 2020, the Group leases factories and buildings from other related parties —CVC, with a short-term lease contract. The Group has selected not to recognize the right-of-use assets and lease liabilities. The rental expense for the three months and nine months ended September 30, 2020 were \$695 and \$1,396, respectively, all of which had been paid.

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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>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Accounts payable	Parent Company	\$ 7,072	1,823	543
Accounts payable	Other related parties	49,056	26,644	44,530
		<u>\$ 56,128</u>	<u>28,467</u>	<u>45,073</u>
Other payables	Other related parties	<u>\$ 2,150</u>	<u>2,814</u>	<u>2,977</u>

(d) Key management personnel compensation

Key management personnel compensation comprised:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 30,941	29,690	84,608	81,126
Post-employment benefits	313	312	943	934
Share-based payments	1,443	2,430	4,328	16,270
	<u>\$ 32,697</u>	<u>32,432</u>	<u>89,879</u>	<u>98,330</u>

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

**(8) Pledged assets:**

The carrying amount of pledged assets were as follows:

<u>Assets</u>	<u>Subject</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Other current assets	Bail for court mandatory execution	<u>\$ -</u>	<u>41,090</u>	<u>41,090</u>

**(9) Commitments and contingencies:**

In July 2020, the Group decided to engage a non-related party to build a factory. As of September 30, 2021, the Group's signed commitments for construction is amounting to \$125,422, which has yet due to be paid.

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

**(11) Subsequent Events: None**

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**(12) Other:**

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

By function By item	For the three months ended September 30, 2021			For the three months ended September 30, 2020		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	220,920	473,467	694,387	220,951	403,486	624,437
Labor and health insurance	7,280	34,032	41,312	7,003	28,691	35,694
Pension	13,515	16,074	29,589	11,778	13,439	25,217
Others	134,579	13,569	148,148	95,200	13,517	108,717
Depreciation	97,104	35,496	132,600	89,060	32,606	121,666
Amortization	1,083	7,994	9,077	732	7,263	7,995

By function By item	For the nine months ended September 30, 2021			For the nine months ended September 30, 2020		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	618,774	1,338,441	1,957,215	578,731	1,162,744	1,741,475
Labor and health insurance	23,853	94,670	118,523	17,331	80,799	98,130
Pension	38,876	43,752	82,628	24,301	39,046	63,347
Others	465,180	44,500	509,680	284,238	48,581	332,819
Depreciation	279,963	104,625	384,588	262,910	97,640	360,550
Amortization	4,277	21,892	26,169	1,568	22,117	23,685

- (b) Seasonality of operations

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

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**(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 nine months ended September 30, 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)	36,134 (USD1,300)	36,134 (USD1,300)	1%	2	-	Operating demand	-	-	-	2,333,803	4,667,607	The transactions had been eliminated in the consolidated financial statements.
0	"	Arcadyan do Brasil Ltda	"	Yes	55,590 (USD2,000)	55,590 (USD2,000)	-	1%	2	-	Operating demand	-	-	-	2,333,803	4,667,607	"
0	"	Arcadyan Technology Limited	"	Yes	285,100 (USD10,000)	-	-	1%	1	4,368,068 (USD157,153)	-	-	-	-	2,333,803	4,667,607	"
0	"	Arcadyan Technology (Vietnam) Co. Ltd.	"	Yes	285,100 (USD10,000)	277,950 (USD10,000)	-	1%	1	4,363,815 (USD157,000)	-	-	-	-	2,333,803	4,667,607	"
0	"	Arcadyan Technology (Vietnam) Co. Ltd.	"	Yes	255,510 (USD9,000)	-	-	1%	1	5,397,428 (USD194,187)	-	-	-	-	2,333,803	4,667,607	"
0	"	Arcadyan Technology Corporation (Russia), LLC	"	Yes	57,020 (USD2,000)	6,876 (RUB18,000)	6,876 (RUB18,000)	1%	1	166,680 (USD5,997)	-	-	-	-	133,344 (USD4,797)	4,667,607	"
1	Arcadyan Holding	CNC	"	Yes	484,670 (USD17,000)	472,515 (USD17,000)	472,515 (USD17,000)	1%	2	-	Operating demand	-	-	-	2,078,062	2,078,062	"
2	SVA	CNC	"	Yes	153,440 (CNY35,000)	-	-	3.85%	2	-	Operating demand	-	-	-	25,932	25,932	"

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

Note 2: According to the policy of the Company on Lending Funds to Other Parties, the amount of loans to others shall not exceed 40% of the net worth of the Company. To borrowers having business relationship with the Company, the total amount of loans to the borrower shall not exceed 80% of the transaction amount in the last fiscal year or the expected amount for the current year, which shall not exceed 20% of the net worth of the Company. Also, the amount shall be combined with the Company's endorsements/guarantees for the borrower upon calculation. When a short-term financing facility is deemed necessary, only the investees of the Company are allowed to borrow. The total amount of loans to the borrower shall not exceed 80% of the net worth 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: SVA conducted capital reduction in April 2021. The credit limit of CNC has been approved in November 2020 but canceled in April 2021. Therefore, the loan does not exceed the limit.

Note 6: The amounts in New Taiwan Dollars were translated at the exchange rate of \$27.795(USD), \$4.295(CNY) and \$0.382(RUB) based on the period date.

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(ii) Guarantees and endorsements for other parties:

Unit: thousand dollars

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary (note 2)	Subsidiary endorsements / guarantees to third parties on behalf of parent company (note 2)	Endorsements/ guarantees to third parties on behalf of companies in Mainland China (note 2)
		Name	Relationship with the Company										
0	The Company	Arcadyan Technology Australia Pty Ltd	100% owned subsidiary by the Company	1,555,869	209,700 (USD7,500)	208,463 (USD7,500)	-	-	1.80 %	4,667,607	Y	N	N

Note 1: The total amount of endorsements/ guarantees the Company or the Group is permitted to make shall not exceed 40% of the Company' s net worth. Endorsements/ guarantees the Company and the Group are permitted to make for a single company shall not exceed one third of the amount mentioned above.

(iii) Securities held as of September 30, 2021 (excluding investment in subsidiaries, associates and joint ventures):

Unit: In thousand dollars of TWD/thousand shares

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				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.	-	"	-	41,176	7.49 %	41,176	
"	Chimei Motor Electronic Co Ltd.	-	Financial assets at fair value through other comprehensive income-noncurrent	1,650	20,691	7.17 %	20,691	
"	Golden Smart home Technology Corp.	-	"	1,229	-	6.14 %	-	
CNC	Structured deposits-SPD Bank Yield Plus Structured Deposit	-	Financial assets at fair value through profit or loss-current	-	129,179	-	129,179	
"	Structured deposits-Agricultural Bank of China "HuiLi Feng" customization RMB structured deposit	-	"	-	130,062	-	130,062	

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

(In thousand dollars of TWD)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales			Others		Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount	Shares	Amount
CNC	Structured Deposit	Current financial assets at fair value through profit or loss	KRC Bank	-	-	-	-	387,081	-	260,408	258,054	2,354	-	152 (note 1)	-	129,179

Note1: Others include evaluation of profit and loss and exchange gains or losses etc.

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

(In thousand dollars of TWD)

Name of company	Name of property	Transaction date (Note 1)	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Land located at Guangfu Rd., Hsinchu City	March 17, 2021	415,480	Fully paid	Natural person	Non-related party	Not applicable	Not applicable	Not applicable	Not applicable	Bargaining in terms of appraisal	Operational use	None

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

- (vi) Disposal of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of TWD100 million or 20% of the capital stock:

Unit: In thousand dollars of TWD

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Arcadyan Germany	Subsidiary	(Sales)	(1,003,685)	(4)%	Net 150 days from delivery	-	-	234,380	3 %	Note 4
"	Arcadyan USA	"	(Sales)	(4,979,290)	(18)%	Net 120 days from delivery	-	-	1,164,813	16 %	Note 4
"	CNC	"	Purchases	9,578,084	26 %	Net 120 days from delivery	According to cost plus pricing	-	(1,782,015)	(13)%	Note 1、4
"	Arcadyan Vietnam	"	Purchases	572,122	2 %	Net 180 days from the end of the month of delivery	"	-	Note 2	- %	Note 1、4
"	Arcadyan AU	"	(Sales)	(402,049)	(1)%	Net 60 days from delivery	-	-	(12,555)	- %	Note 3、4
CNC	The Company	Parent company	(Sales)	(9,578,084)	(100)%	Net 120 days from delivery	"	-	1,782,015	99 %	Note 1、4
Arcadyan Vietnam	"	"	(Sales)	(572,122)	(100)%	Net 180 days from the end of the months of delivery	"	-	Note 2	- %	Note 1、4
Arcadyan Germany	"	"	Purchases	1,003,685	100 %	Net 150 days from delivery	-	-	(234,380)	(100)%	Note 4
Arcadyan USA	"	"	Purchases	4,979,290	100 %	Net 120 days from delivery	-	-	(1,164,813)	(100)%	Note 4
Arcadyan AU	"	"	Purchases	402,049	100 %	Net 120 days from the end of the month of delivery	-	-	12,555	100 %	Note 3、4

Note 1: The ending balances were derived from the net transactions on processing and sales of raw materials.

Note 2: As of September 30, 2021, the other receivables were amounted to 1,222,728 thousand.

Note 3: The ending balance were sales discounts for Arcadyan AU.

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

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

Unit: In thousand dollars of TWD

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (note 3)	Allowance for bad debts
					Amount	Action taken		
The Company	Arcadyan Germany	Subsidiary	234,380	5.61	-		-	-
"	Arcadyan USA	"	1,164,813	6.02	-		476,821	-
"	Arcadyan Vietnam	"	1,222,728 (note 2)	Note 2	-		-	-
CNC	The Company	Parent company	1,782,015 (Note 1)	4.92	-		1,058,314	-

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 October 26, 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 (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Arcadyan Germany	1	Sales Revenue	1,003,685	There is no significant difference of price between general customers'. The credit period is net 150 days from delivery.	3.50 %
"	"	"	1	Accounts Receivable	234,380	"	0.71 %
"	"	Arcadyan USA	1	Sales Revenue	4,979,290	There is no significant difference of price between general customers'. The credit period is net 120 days from delivery.	17.38 %
"	"	"	1	Accounts Receivable	1,164,813	"	3.51 %
"	"	Arcadyan AU	1	Sales Revenue	402,049	There is no significant difference of price between general customers'. The credit period is net 60 days from the end of the month of delivery.	1.40 %
"	"	Arcadyan Vietnam	1	Other Receivable	1,222,728	The credit period is net 180 days from the date of invoice and depended on funding demand.	3.68 %

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**ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	CNC	The Company	2	Processing Revenue	9,578,084	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.	33.43 %
"	"	"	2	Accounts Receivable	1,782,015	"	5.37 %
2	Arcadyan Vietnam	The Company	2	Processing Revenue	572,122	The credit period is net 180 days from the date of invoice and depended on funding demand.	2.00 %

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 nine months ended September 30, 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 September 30, 2021			Net Income (Losses) of the Investee	Investment Income (losses)	Note
				September 30, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Arcadyan Holding	British Virgin Islands	Investment activities	2,219,782	2,359,732	64,780	100%	2,030,867	(15,389)	(15,389)	Note 2、4
The Company	Arcadyan USA	USA	Selling of wireless networking products	23,055	23,055	1	100%	97,251	51,338	51,338	"
The Company	Arcadyan Germany	Germany	Selling and technical support of wireless networking products	1,125	1,125	0.5	100%	76,000	4,816	4,816	"
The Company	Arcadyan Korea	Korea	Selling of wireless networking products	2,879	2,879	20	100%	13,829	1,478	1,478	"
The Company and ZHI-BAO	Arcadyan Brasil	Brazil	Selling of wireless networking products	81,593	81,593	968	100%	(13,903)	1,311	1,311	"
The Company	ZHI-BAO	Taipei City	Investment activities	48,000	48,000	34,980	100%	421,340	6,171	6,171	"
The Company	TTI	Taipei City	Research and development, and selling digital home appliance	308,726	308,726	25,028	61%	400,786	(178,899)	(109,206)	"
The Company	AcBel Telecom	Taipei City	Investment activities	23,000	23,000	4,494	51%	32,727	53	27	"
The Company	Arcadyan UK	England	Technical support of wireless networking products	1,988	1,988	50	100%	4,028	581	581	"
The Company	Arcadyan AU	Australia	Selling of wireless networking products	1,161	1,161	50	100%	46,770	4,348	4,348	"
The Company	Arcadyan RU	Russia	Selling of wireless networking products	7,672	2,492	-	100%	6,502	(866)	(866)	"
The Company	CBN	Hsinchu County	Manufacturing and selling of broadband network products	11,925	11,925	533	1%	12,896	29,566	235	Note 3
The Company and ZHI-BAO	Arcadyan India	India	Selling of wireless networking products	13,507	-	3,500	100%	12,627	(493)	(493)	Note 4、5

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**Notes to the Consolidated Financial Statements**

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2021			Net Income (Losses) of the Investee	Investment Income (losses)	Note
				September 30, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value			
Arcadyan Holding	Sinoprime	British Virgin Islands	Investment activities	807,445 (USD29,050)	529,495 (USD19,050)	29,050	100%	704,826 (USD25,358)	(15,914) (USD567)	Investment gain(losses) recognized by Arcadyan Holding	Note 2、4
"	Arch Holding	British Virgin Islands	Investment activities	306,051 (USD11,011)	306,051 (USD11,011)	35	100%	857,698 (USD30,858)	(7,718) (USD275)	"	"
Sinoprime	Arcadyan Vietnam	Vietnam	Manufacturing of wireless networking products	806,055 (USD29,000)	528,105 (USD19,000)	-	100%	700,740 (USD25,211)	(15,914) (USD567)	Investment gain (losses) recognized by Sinoprime	"
TTI	Quest	Samoa	Investment activities	33,354 (USD1,200)	33,354 (USD1,200)	1,200	100%	(14,095)	(42,644)	Investment gain (losses) recognized by TTI	"
TTI	TTJC	Japan	Selling digital home appliance	9,626	9,626	0.7	100%	4,313	(1,118)	"	"
Quest	Exquisite	Samoa	Investment activities	32,520 (USD1,170)	32,520 (USD1,170)	1,170	100%	(22,792) (USD(820))	(42,634) (USD(1,519))	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%	317,790	29,566	Investment gain(losses) recognized by ZHI-BAO	Note 3

Note 1: The amounts in New Taiwan Dollars were translated at the exchange rate of \$US28.067/EUR\$33.597 based on the yearly average exchange rate for net income(losses) of the investees, others were translated at the exchange rate of US\$27.795/EUR\$32.43 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.

(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 September 30, 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 (Note 6)							
SVA	Research and sale of wireless networking products	225,140 (USD8,100)	Note 1	(Note 4) 511,984 (USD18,420)	-	138,975 (USD5,000)	373,009 (USD13,420)	4,238 (USD151)	100%	4,238 (USD151)	25,932 (USD923)	-	Note 3
CNC	Manufacturing of wireless networking products	346,048 (USD12,450)	"	(Note 5) 306,051 (USD11,011)	-	-	306,051 (USD11,011)	(7,718) (USD(275))	100%	(7,718) (USD(275))	857,698 (USD30,858)	-	"
TCH	Manufacturing of household electronics products	93,113 (USD3,350)	Notes 1 and 7	31,964 (USD1,150)	-	-	31,964 (USD1,150)	(42,634) (USD(1,519))	100%	(42,634) (USD(1,519))	(23,264) (USD(837))	-	"

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 \$US28.067 based on the yearly average exchange rate for net income(losses) of the investees, others were translated at the exchange rate of US\$27.795 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 thousand to offset its accumulated losses in March 2009. On April 7, 2021, the capital had been returned to the shareholders amounting to US\$5,000.

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

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**Notes to the Consolidated Financial Statements**

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of September 30, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
711,024 (USD25,581)	711,024 (USD25,581)	7,001,411

Note : The amounts in New Taiwan Dollars were translated at the exchange rate of \$27.795 on September 30, 2021.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China for the nine months ended September 30, 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:

Unit: Share

Shareholder's Name	Shareholding	Shares	Percentage
Compal Electronics Inc.		41,304,504	19.69 %

**(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 September 30, 2021		
	Networking Product Segment	Digital Set Top Box Product Segment	Total
Revenue			
Revenue from external customers	\$ <u>9,045,738</u>	<u>435,550</u>	<u>9,481,288</u>
Segment profit or loss	\$ <u>753,363</u>	<u>(179,379)</u>	<u>573,984</u>

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<b>For the three months ended September 30, 2020</b>			
	<b>Networking Product Segment</b>	<b>Digital Set Top Box Product Segment</b>	<b>Total</b>
Revenue			
Revenue from external customers	\$ <u>9,208,880</u>	<u>342,908</u>	<u>9,551,788</u>
Segment profit or loss	\$ <u>764,988</u>	<u>(30,596)</u>	<u>734,392</u>
<b>For the nine months ended September 30, 2021</b>			
	<b>Networking Product Segment</b>	<b>Digital Set Top Box Product Segment</b>	<b>Total</b>
Revenue			
Revenue from external customers	\$ <u>27,055,999</u>	<u>1,598,466</u>	<u>28,654,465</u>
Segment profit or loss	\$ <u>1,840,843</u>	<u>(178,899)</u>	<u>1,661,944</u>
<b>For the nine months ended September 30, 2020</b>			
	<b>Networking Product Segment</b>	<b>Digital Set Top Box Product Segment</b>	<b>Total</b>
Revenue			
Revenue from external customers	\$ <u>23,648,369</u>	<u>994,912</u>	<u>24,643,281</u>
Segment profit or loss	\$ <u>1,802,389</u>	<u>(135,572)</u>	<u>1,666,817</u>