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Arcadyan Technology Corporation

2020 Annual Report

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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None.

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I. Letter to Shareholders

Dear Shareholders:

1. Business Results of 2020

(1) Business Plan Implementation Results and Budget Plan Implementation Status

In 2020, the Company's consolidated net operating income for the whole year was NT\$33,765,295 thousand, representing an annual increase of 2.6%. The net operating profit and after tax net profit were NT \$2,283,477 thousand and NT\$1,630,605 thousand respectively, and the after tax earnings per share was NT\$8.36.

(2) Financial Status and Profitability

The financial operation of the Company adheres to the principle of steadiness, and the use of long-term and short-term funds are properly planned according to the Company's operating conditions. The current ratio in 2020 was 161% and the debt ratio was 58%; the financial structure was sound.

In 2020, the profit was NT\$1,630,605 thousand, the return on assets was 6.1%, and the return on equity was 14.0%.

(3) Progress in Research and Development

- A. The developed products are including: Whole Home Wifi (Wifi Mesh Network) solution, 4G/LTE Small Cell integrated SON (Self Organizing Network) features, Indoor and Outdoor LTE Routers/Gateways, 802.11ax and 802.11ac (Single-band, Dual-band and Tri-band) Wireless Routers, 802.11ax and 802.11ac VDSL Routers, Repeaters used to expand Wifi coverage, Android TV OTT/IP STB support Ultra-high resolution (4K) and HDR (High Dynamic Range Imaging), GPON OLT/ONT Fiber products, and DOCSIS 3.1 & 3.0 Cable Modems.
- B. Keep integrating and optimizing the new functions into the next generation IAD, such as Zigbee, Z-wave, BLE, DECT ULE and NFC, and introducing AI (Artificial Intelligence) algorithm, Intelligent Diagnostic functions, IEEE1905.1 and EasyMesh™ R1/R2 Multi-interfaces Management System.
- C. Target to accelerate developing 5G CPE (Customer Premise Equipment), 5G Small Cell, Smart Home Gateway plus IOT (Internet of Things) applications, AI/Big Data/Cloud computing integration technology.

2. 2021 Business Prospects

(1) Operating Strategy

- A. Keep enlarging the existing telecom market share and developing new telecom customers in emerging markets; expanding the product categories of existing telecom customers, from fixed line to optical fiber products; providing the rapid customized

products and services to all customers; and supporting the customers to design and develop competitive products by their needs, in order to efficiently make market segmentation for customers.

- B. Strengthen the technical capability of software and hardware on Android TV OTT and IP-STB; develop the next generation products, new markets and new customers for Android TV OTT/IP-STB; and optimize the profit on above-mentioned product portfolio.
- C. Expansion of the MSO (Multiple System Operator) market share and enhanced market positioning, active development of new customers, expansion of Cable Modem production lines, and increased product penetration rates at the customer end through the provision of value-added services.
- D Proactive development of new product categories such as Smart Home, Internet of Things (IOT), Artificial Intelligence (AI), 76GHz-80GHz vehicle-mounted Blind Spot Detection (BSD) Active Warning Radar; implementation of research on commercially viable applications of derived technologies, initiatives in sync with the development of 5G technology, ongoing development of new-generation 5G CPE products, and deeply commitment to the 5G small-cell market.
- E. Cooperate with local technical suppliers in each market segment and country, to penetrate the local telecom markets together.
- F. Technical collaborate with the key chipset vendors and front-end suppliers to lead new technology trend and penetrate the product markets together.
- G. Keep scaling up the capacity of Vietnam manufacturing site, optimizing and reconciling the capacity between China manufacturing site and Vietnam manufacturing site, in order to diversify and reduce the business risks of overseas manufacturing sites.

(2) Expected Sales Overview

In line with the rapidly increasing global demand for remote work and cloud applications due to the impact of the COVID-19 epidemic and against the backdrop of the ongoing expansion of broadband infrastructure installations, growth in the field of networking devices will be maintained. It is projected that the shipment volume of broadband wireless networking devices will increase by 5%~10% in 2021.

(3) Key Production and Marketing Policies

- A. In the next stage of product planning, we will continue to develop gateways supporting Smart Home and IOT functions, built-in wireless modules for consumer multimedia products (such as Smart TV and home voice assistant), high-level CPE required by ISP providers such as 5G Terminal Equipment and IAD that support fixed mobile convergence and Small-Cell and MEC switches that support 5G O-RAN architecture, high-end Android TV OTT/IP STB with ultra-high resolution (4K) and high dynamic



range imaging (HDR), new-generation cable modem routers, and 76GHz-80GHz vehicle-mounted Blind Spot Detection (BSD) Active Warning Radar. Smart CPE with adopted AI computing and big data cloud analysis represents another focus of our R&D efforts.

B. Keep expanding the JDM business scale to gain the advantage of a greater economic scale, scaling up the production capacity of the Vietnam manufacturing site, appropriately diversifying the overseas production risk, and enhancing the manufacturing flexibility by above-mentioned multiple manufacturing sites.

C. Increase the sales proportion of high-margin and high-price products.

3. Future Development Strategy and Impact of External Competition Environment, Regulatory Environment and Overall Business Environment

(1) Future Development Strategy of the Company

Currently, Arcadyan is doing well in the telecom market. Although it takes time to develop new business in the telecom market, the entry barriers for our competitors are also high. Therefore, we will keep focusing on the new business development in the telecom market, developing our self-own software codebases, and establishing a reliable Triple Play Enable software platform. In addition, Android TV OTT and IP STB have become our key product lines to develop. From the view of the business side, we will continue to explore new markets and new customers; from the view of technology side, we will enhance the integration between software, hardware, and system integration. Moreover, with the advent of the 5G era, Arcadyan has been following the latest 3GPP standards and actively developing 5G Small Cells, integrating fixed and mobile networks, and building our self-own technology for the 5G cross-domain ecosystem. This will make us to respond to the latest market demands immediately and cut in new customers quickly. In the future, we will dig out the market demands deeply, stay with the development trend of Triple Play closely, and integrate above technology into the applications of smart handheld devices. We are also targeting at the fields of Smart Home, IOT, IOV, AI analysis and cloud computing, and further invest in the developments of 5G, IAD, IP STB/Android TV OTT, GPON and NG-PON2 Fiber broadband products to provide the total solutions to all customers.

(2) Impact of External Competition, Regulatory Environment and Overall Business Environment

With the diversification of network services and the development of multimedia applications such as video on demand, the global consumer demand for higher bandwidth continues to increase, and the number of global broadband users are growing rapidly as well. With the increasing popularity of broadband communication and the global commitment to the wide coverage of 5G, more and more Networking equipment manufacturers and major EMS providers have invested in the related products, developing process, and manufacturing procedure. It has led to a sharp increase in the

overall market and price competition. In addition, at present, the Chinese market leads the world in 5G technology evolution and demand popularization, which also drives the growth and competitive advantage of Chinese Networking device manufacturers. Those Chinese companies actively cut in existing market by competitive price and invest resources to enhance R&D technologies.

In line with the rapidly increasing global demand for remote work and cloud applications during the COVID-19 epidemic, business opportunities in the field of terminal applications such as laptops and tablets grow at a feverish rate. The added impact of the dramatically rising demand for new technology installations (AI, 5G, and IoT) worldwide has resulted in a situation of demand exceeding supply in the area of wafers, panels, and passive components. It is increasingly difficult for network communication equipment providers to confirm and manage the supply status of raw materials. Tightening supply of supply chain components and extended delivery periods result in lengthened lead times. In addition, there has been a global shortage of containers since 2020, which has caused constantly rising transportation costs. It is therefore projected that the Company will face more and more arduous competition challenges in all fields of its operations in the future. Therefore, the Company will continue to improve its product technologies, strengthen supply chain management and adaptability, build multi-regional manufacturing capacities, advance cost competitiveness, enhance the competitive edge in the field of time to market, and actively develop, cultivate, and maintain cooperative relationships based on mutual benefit with telecom customers with the ultimate goal of expanding our market share.

4. Conclusion

Finally, we would like to extend our most sincere thanks to all shareholders for your long-term support. All employees of Arcadyan will continue to strengthen our R&D and market development on the basis of existing technical core competence and competitive advantage, effectively integrate and utilize our resources, continue to work toward the Company's growth and prosperity, and create maximum benefits for the Company and its shareholders. At the same time, we also hope all shareholders can continue to give encouragement and advice to our management team.

Your truly,

Chen Jui-Tsung, Chairman of the Board
Tseng Chao-Peng, Chief Executive Officer
Huang Shih-Wei, Chief Accounting Officer



II. Company Overview

1. Date of Incorporation: May 9, 2003

2. Company History

(1) Yearly Major Events

March 2018 Passed certification of ISO 14006 (certification for incorporating eco-design).

March 2018 Developed 11ax tri-band products.

October 2018 Developed Android TV Hybrid STB with CA/DRM digital TV copyright protection.

December 2018 Passed certification of Wi-Fi Easy Mesh Controller.

March 2019 Passed certification of Wi-Fi Easy Mesh Agent.

July 2019 Developed DOCSIS 3.1 cable modem home gateway.

July 2019 Developed Android TV set-top box with smart speaker function.

October 2019 Developed 10GPON BOSA on-board IAD.

November 2019 Developed 5G indoor home gateway.

December 2019 Successfully deployed Cloud Optimized Management System.

May 2020 Successfully developed Wi-Fi 6 broadband products.

June 2020 Successfully developed XGSPON fiber optic broadband products.

July 2020 Passed ISO 45001 certification on occupational safety and health management system (OHSAS 18001 revised edition)

February 2021 Successfully developed DOCS3.1 + Wi-Fi 6 cable products.

February 2021 Successfully developed 79GHz commercialized vehicle radar of difference radius between inner wheels.

March 2021 Conferred 2020 Best CSR Implementation Award for Supplier by Joint Audit Cooperation (JAC) from Europe.

March 2021 Obtained Level 4 Optimizing of BS 8001 certification on circular economy from British Standards Institution (BSI).

(2) For the Most Recent Year up to the Publication Date of this Annual Report, mergers and acquisitions, investment in affiliated companies, restructuring, transfer or change in shareholdings of Directors, Supervisors or major Shareholders with a stake of 10% or more, change of management right, material change in business activities or contents, and other matters that will significantly impact the Shareholders' interest and the Company:

March 2019 Invested in Arcadyan Technology (Vietnam) Co., Ltd., as the global production base.

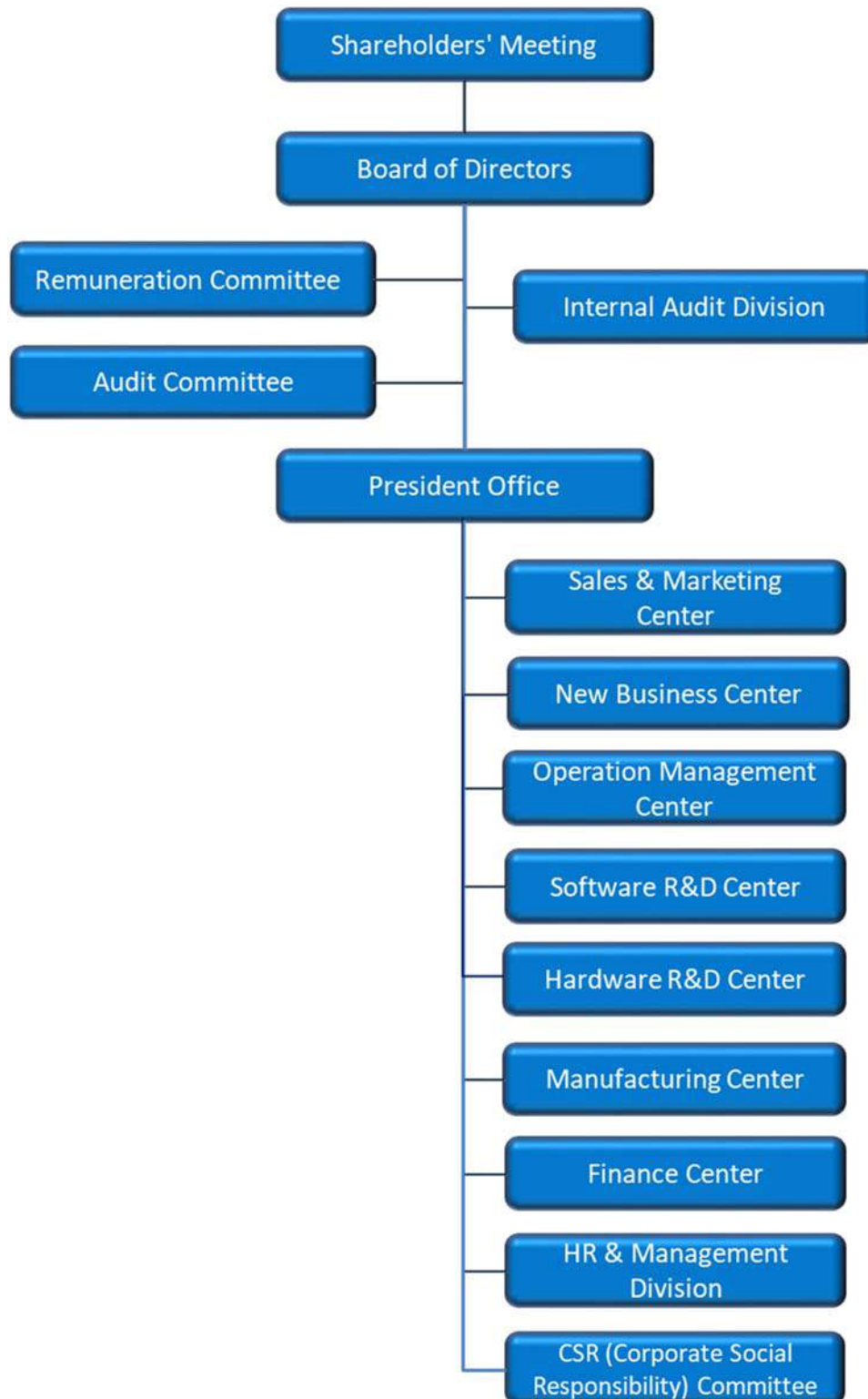
June 2020 Invested in Arcadyan Technology Corporation (Russia), LLC as the sales office in Russia.

March 2021 Invested in Arcadyan India Private Limited as the sales office in India.

III. Report on Corporate Governance

1. Organization of the Company

(1) Organizational Chart (as of December 31, 2020)



(2) Tasks of Descriptions:

Functions:	Main Responsibilities:
Remuneration Committee	<ol style="list-style-type: none"> 1. Establishing and reviewing performance of Directors and Managers, as well as policy, system, standard and structure of remuneration and compensation on a regular basis. 2. Evaluating and establishing the remuneration and compensation of Directors and Managers on a regular basis.
Audit Committee	<p>The main objective is to supervising the following items,</p> <ol style="list-style-type: none"> 1. Fair presentation of the financial reports of the Company. 2. Appointing, dismissing and evaluating the independence and performance of certificated public accountants. 3. The effective implementation of the internal control system of the Company. 4. Compliance with relevant laws and regulations by the Company. 5. Management of the existing or potential risks of the Company.
Internal Audit Division	In charging of the planning, execution and improvement of the internal audit of the Company.
President Office	Establishing the operational goals of the Company, taking charge, directing and overseeing the overall business operations.
Sales & Marketing Center	<ol style="list-style-type: none"> 1. Expanding and developing sales operation. 2. Overseeing the communication channels of customer service. 3. Managing marketing strategy and business operation. 4. Designing, planning and implementation of marketing projects.
New Business Division	Conducting R&D on new technologies, new products development and introduction for mass production, including assessment of the feasibility of new product development and integration of technologies.
Operation Management Center	<ol style="list-style-type: none"> 1. Managing products and controlling project schedules. 2. Collaborating with R&D and manufacturing divisions and arranging for trial-run manufacturing to facilitate mass production. 3. Overseeing procurement, import and export, and production material control. 4. Designing and managing the engineering and manufacturing of products, managing and certificating of product quality. 5. Constructing and overseeing network environment, and installing and maintaining the mainframe computer system and peripheral equipment. 6. Planning for introduction and conducting overall maintenance of ERP/MES, other online systems, developing operating procedures and assessing feasibilities. 7. Planning, designing and implementation of legal patent related matters.



Functions:	Main Responsibilities:
	8. Assisting in cost control of products and procurement to increase the overall profitability.
Software R&D Center	Develop various software technologies and testing programs of the Company.
Hardware R&D Center	Develop various hardware technologies and the related integration programs of the Company.
Production and Manufacturing Center	Supervising the overall production matters in the factory areas of Vietnam and Mainland China.
Finance Center	<ol style="list-style-type: none"> 1. Preparing and examining the accounting and tax matters, and preparing financial reports. 2. Preparing budgets, difference analysis and control of variances. 3. Managing financial matters, establishing short, medium and long term capital funding and arrangement. 4. Cost computing, analyzing and planning for inventory physical count
HR & Management Division	<ol style="list-style-type: none"> 1. Establishing, amending and implementation of company management system. 2. Conducting performance assessment for Employees, establishing promotion, retirement and other HR systems. 3. Planning and conducting employee training. 4. Computing salary, labor, health and group insurance. 5. Managing administrative matters.
CSR (Corporate Social Responsibility) Committee	<ol style="list-style-type: none"> 1. Establishing and executing the overall Corporate Social Responsibility (CSR) operating mechanism of the Company. 2. Forming task teams to promote environmental protection, corporate governance, labor rights, and other activities related to social welfare. 3. Taking charge of the implementation of relevant activities and summarizing the results and performance.

April 18, 2021

2. Directors, Supervisors, President, Vice Presidents, Senior Managers and Department Heads

(1) Directors

Position	Nationality or Country of Incorporation	Name	Gender	Date of Election (Appointment) (Note 1)	Term of Office	Initial Date of Election	Shareholding at the Date of Election		Current Shareholding		Current Shareholding of Spouse, Minor Child(ren)		Shares Held under Another Person(s)		Main Working (Education) Experience	Concurrent Position(s) in the Company or other companies	Spouse or Relative within the Second Degree of Kinship Holding Other Managerial, Director or Supervisor Position			Remark
							Number of Shares	Percentage of Shareholding	Number of Shares	Percentage of Shareholding	Number of Shares	Percentage of Shareholding	Number of Shares	Percentage of Shareholding			Position	Name	Relationship	
Chairman	R.O.C.	Compal Electronics Inc.	Male	June 18, 2020	Three years	October 12, 2006	41,304,504	19.81%	41,304,504	19.82%	-	-	0	0%	Bachelor of Electrical Engineering, National Cheng Kung University Vice Chairman and CSO of Compal Electronics Inc.	Note 3	None	None	None	Note 2
		October 12, 2006				0	0%	0	0%	0	0%	0	0%							
Director	R.O.C.	Compal Electronics Inc.	Male	June 18, 2020	Three years	October 12, 2006	41,304,504	19.81%	41,304,504	19.82%	-	-	0	0%	Master in Management Science, National Chiao Tung University Director and CEO of Compal Electronics Inc.	Note 3	None	None	None	Note 2
		June 20, 2014				429	0%	429	0%	0	0%	0	0%							
Director	R.O.C.	Compal Electronics Inc.	Male	June 18, 2020	Three years	October 12, 2006	41,304,504	19.81%	41,304,504	19.82%	-	-	0	0%	Master in Electrical Engineering, National Taiwan University Director and Executive Vice President of Compal Electronics Inc.	Note 3	None	None	None	Note 2
		June 1, 2018				0	0%	0	0%	0	0%	0	0%							
Director	R.O.C.	Compal Electronics Inc.	Male	June 18, 2020	Three years	October 12, 2006	41,304,504	19.81%	41,304,504	19.82%	-	-	0	0%	EMBA, National Chiao Tung University Vice President of Arcadyan Technology Corporation	Note 3	None	None	None	Note 2
		April 12, 2019				13,079	0.01%	30,579	0.01%	0	0%	0	0%							
Director	R.O.C.	Tseng Chao-Peng	Male	June 18, 2020	Three years	June 25, 2019	26,669	0.01%	157,669	0.08%	22,000	0.01%	0	0%	MBA, Oklahoma State University President of Arcadyan Technology Corporation	Note 3	None	None	None	Note 2

Position	Nationality or Country of Incorporation	Name	Gender	Date of Election (Appointment) (Note 1)	Term of Office	Initial Date of Election	Shareholding at the Date of Election		Current Shareholding		Current Shareholding of Spouse, Minor Child(ren)		Shares Held under Another Person(s)		Main Working (Education) Experience	Concurrent Position(s) in the Company or other companies	Spouse or Relative within the Second Degree of Kinship Holding Other Managerial, Director or Supervisor Position			Remark
							Number of Shares	Percentage of Shareholding	Number of Shares	Percentage of Shareholding	Number of Shares	Percentage of Shareholding	Number of Shares	Percentage of Shareholding			Position	Name	Relationship	
Independent Director	R.O.C.	Lee Ying-Jen	Male	June 18, 2020	Three years	June 13, 2008	0	0%	0	0%	0	0%	0	0%	PhD in Electrical Engineering, National Taiwan University Chairman of Litemax Electronics Inc. .	Note 3	None	None	None	Note 2
Independent Director	R.O.C.	Wen Ching-Jang	Male	June 18, 2020	Three years	June 13, 2008	0	0%	0	0%	0	0%	0	0%	PhD in Electrical Engineering, National Taiwan University Chairman of New E Materials Co., Ltd.	Note 3	None	None	None	Note 2
Independent Director	R.O.C.	Yang Wen-An	Male	June 18, 2020	Three years	June 13, 2008	0	0%	0	0%	0	0%	0	0%	Master of Commerce, National Taiwan University Chairman of Der Ben Financial Consulting Co., Ltd.	Note 3	None	None	None	Note 2
Director	R.O.C.	Wei Je-He	Male	June 18, 2020	Three years	June 22, 2012	0	0%	0	0%	0	0%	0	0%	PhD in Electrical Engineering, University of Washington Honorary Professor of National Chiao Tung University	Note 3	None	None	None	Note 2

Note 1: Re-election of Directors was held on June 18, 2020. All Directors were re-appointed.

Note 2: If the Company Chairperson and the CEO or manager of equivalent position (the highest manager) are the same person or spouses or of kinship in the first degree, related information regarding the arrangements in terms of reasons, rationale, necessity and response measures shall be provided: None

Note 3: Concurrent Position(s) in the Company or other companies



Position	Name	Current Positions(s) in the Company or other Companies	
Director	Chen Jui-Tsung	Vice Chairman and CSO	Compal Electronics Inc.
		Chairman	Palcom International Corporation, Compal System Trading (Kunshan) Co., Ltd., Ripal Optotronics Co., Ltd., General Life Biotechnology Co., Ltd., UniCore Biomedical Co., Ltd., Raycore Biotech Co., Ltd., Ray-Kwong Medical Management Consulting Co., Ltd., Aco Smartcare Co.,Ltd., ARCE Therapeutics, Inc., Chengdian Culture and Education Foundation
		Director	Arcadyan Holding (BVI) Corp. 、 Arcadyan Technology N.A. Corporation, Arch Holding (BVI) Corp., Ascendant Private Equity Investment Ltd., Big Chance International Co., Ltd., Billion Sea Holdings Limited, Bizcom Electronics, Inc., Center Mind International Co., Ltd., Compal Display Holding (HK) Limited, Compal Electronics (Holding) Ltd., Compal Electronics International Ltd., Compal International Holding Co., Ltd., Compal International Holding (HK) Limited, Compal International Ltd., Compal Rayonnant Holdings Ltd., Compalead Electronics B.V., Compal Wise Electronic (Vietnam) Co., Ltd, Core Profit Holdings Limited, Etrade Management Co., Ltd., Flight Global Holding Inc., Forever Young Technology Inc., Fortune Way Technology Corp., Giant Rank Trading Limited, Goal Reach Enterprises Ltd., High Shine Industrial Corp., Intelligent Universal Enterprise Ltd., Jenpal international Ltd., Just International Ltd., Prisco International Co., Ltd., Prospect Fortune Group Ltd., Sinoprime Global Inc., Smart International Trading Ltd., Wah Yuen Technology Holding Ltd., Webtek Technology Co., Ltd., Compal (Vietnam) Co., Ltd., Compal Optoelectronics (Kunshan) Co., Ltd., Compal Information Technology (Kunshan) Co., Ltd., Compal Development & Management (Vietnam) Co., Ltd., Compal Information (Kunshan) Co., Ltd., Compal Electronics Technology (Kunshan) Co., Ltd., Compal Electronics, (China) Co., Ltd., Compal Networking (Kunshan) Co., Ltd., Hong Jin Investment Co., Ltd., Hong Ji Capital Co., Ltd., Kunshan Botai Electronics Co., Ltd., Kinpo Group Management Consultant Company, Kinpo Electronics, Inc., Gempal Technology Corp., Panpal Technology Corp., Compal Digital Technology (Kunshan) Co., Ltd., Compal Broadband Networks, Inc., Compal Investment (Sichuan) Co., Ltd., Compal Investment (Jiangsu) Co., Ltd., Compal Display Electronics (Kunshan) Co., Ltd. Compal Electronics (Chengdu) Co., Ltd., Compal Management (Chengdu) Co., Ltd., Compal Electronics (ChongQing) Co., Ltd., HengHao Technology Co. Ltd., Mactech Co., Ltd., Compal Smart Device (Chongqing) Co., Ltd., Unicom Global, Inc.
		Independent Director	Powertech Technology Inc.
Director	Wong Chung-Pin	Chairman	Wah Yuen Technology Holding Ltd., Rayonnant Technology Co., Ltd., HengHao Technology Co. Ltd., Compal Broadband Networks, Inc., HippoScreen Neurotech Corp.,Shennona Co., Ltd., Starmems Semiconductor Corp., Unicom Global, Inc.
		Director	Allied Power Holding Corp., Amexcom Electronics, Inc., Auscom Engineering Inc., Bizcom Electronics, Inc., Compal Connector Manufacture Ltd., HengHao Holdings A Co., Ltd., HengHao Holdings B Co., Ltd., Primetek Enterprises Limited, Shennona Corporation, Sirqul Inc., Compal Electronics, Inc., Ripal Optotronics Co., Ltd., Mactech Co., Ltd., Compal Management (Chengdu) Co., Ltd., Compal Investment (Sichuan) Co., Ltd., Compal System Trading (Kunshan) Co., Ltd., Compal Information Technology (Kunshan) Co., Ltd., Compal Information (Kunshan) Co., Ltd., Compal Electronics Technology (Kunshan) Co., Ltd., Compal Electronics (ChongQing) Co., Ltd., Compal Electronics (Chengdu) Co., Ltd.,

Position	Name	Current Positions(s) in the Company or other Companies	
			Compal Digital Technology (Kunshan) Co., Ltd., UniCore Biomedical Co., Ltd., General Life Biotechnology Co., Ltd., Panpal Technology Corp., Hong Jin Investment Co., Ltd., Taiwan, Kinpo Group Management Consultant Company, Aco Smartcare Co.,Ltd., Infinno Technology Corp., Raypal Biomedical Co., Ltd., Gempal Technology Corp., Hong Ji Capital Co., Ltd., Compal Smart Device (Chongqing) Co., Ltd., Chengbao Biotechnology Co., Ltd.
		Supervisor	Hong Ya Technology Corporation
		Executive Director	Compower Global Service Co., Ltd.
		CEO	Compal Electronics Inc. , Gempal Technology Corp., Panpal Technology Corp., Hong Ji Investment Co., Ltd., Hong Jin Investment Co., Ltd.
Director	Peng Sheng-Hua	Chairman	Compal Wireless Communications (Nanjing) Co., Ltd., Compal Digital Communications (Nanjing) Co., Ltd., Hanheld Communications (Nanjing) Co.,Ltd., Compal Communications (Nanjing) Co., Ltd.
		Director	Amexcom Electronics, Inc., Bizcom Electronics, Inc., Compal Electronics, Inc., Gempal Technology Corp., Hong Ji Capital Co., Ltd.,Ripal Optotronics Co., Ltd., UniCore Biomedical Co., Ltd., Compal Optoelectronics (Kunshan) Co., Ltd., Compal Investment (Jiangsu) Co., Ltd., Compal Display Electronics (Kunshan) Co., Ltd., Compal Electronics, (China) Co., Ltd., Palcom International Corporation, Compal Smart Device (Chongqing) Co., Ltd., Hong Jin Investment Co., Ltd.
		CEO	Compal Investment (Jiangsu) Co., Ltd., Compal Display Electronics (Kunshan) Co., Ltd., Palcom International Corporation, Compal Wireless Communications (Nanjing) Co., Ltd., Compal Smart Device (Chongqing) Co.,Ltd.
		Executive Vice President	Compal Electronics Inc.
		Supervisor	General Life Biotechnology Co., Ltd.
Director	Liu Chung-Pao	Director	Arcadyan Technology (Shanghai) Corp.
		CEO	Compal Networking (Kunshan) Co., Ltd, Arcadyan Technology (Shanghai) Corp.
Director	Tseng Chao-Peng	Chairman	Tatung Technology Inc., Arcadyan Technology (Shanghai) Corp., Zhi-Bao Technology Inc., AcBel Telecom Inc., Arcadyan Technology (Vietnam) Co., Ltd.
		Director	Arcadyan Holding (BVI) Corp., Arcadyan Technology Limited, Arcadyan Technology N.A. Corp., Arcadyan Technology Corporation Korea, Arcadyan Technology Australia Pty Ltd, Arch Holding (BVI) Corp., Exquisite Electronic Co., Ltd., Quest International Group Co., Ltd., Sinoprime Global Inc. (BVI), Compal Networking (Kunshan) Co., Ltd, Tatung Home Appliances (WuJiang) Co., Ltd, Tatung Technology of Japan Co., Ltd.
		CEO	Arcadyan Technology N.A. Corp., Arcadyan Technology Corporation., Zhi-Bao Technology Inc., Arcadyan Technology (Vietnam) Co., Ltd.
		Manager	Arcadyan Germany Technology GmbH



Position	Name	Current Positions(s) in the Company or other Companies	
Independent Director	Lee Ying-Jen	Chairman	Litemax Electronics Inc.
		Director	Aaeon Technology Inc., Aaeon Technology (Suzhou) Inc., Litemax Technology, Inc., Yen Sun Technology Corp., Eutech Microelectronics Inc.
		Independent Director	Axis Corporation
Independent Director	Wen Ching-Jang	Chairman	New-E Materials Co., Ltd.
		Director	Bioptik Technology Inc.
Independent Director	Yang Wen-An	Chairman	Der Ben Financial Consulting Co., Ltd.
		Director and Partner	BDO Taiwan Union & Co.
		Director:	Lien Chang Electronic Enterprise Co., Ltd.
		Independent Director	E&E Recycling Inc.
Director	Wei Je-He	Chairman	National Information Infrastructure Enterprise Promotion Association
		Chair Professor	Department of Electrical Engineering, Tatung University
		Adjunct Professor	Department of Electronics Engineering, National Chiao Tung University
		Director	Unizyx Holding Corporation, Macronix International Co., Ltd.
		Independent Director	Genesis Photonics Inc., Sunplus Technology Co., Ltd.

■ Major Corporate Shareholders

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Name of Corporate Shareholder	Major Shareholders of Corporate Shareholder (note)
Compal Electronics Inc.	Silchester International Investors International Value Equity Trust (3.73%), Kinpo Electronics Inc. (3.44%), Yuanta/P-shares Taiwan Dividend Plus ETF (2.61%), Fubon Life Insurance Co., Ltd. (2.14%), Silchester International Investors International Value Equity Taxable Trust (1.97%), Taiwan Cooperative Bank, Ltd.(1.75%), New Labor Pension Fund (1.55%), Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds (1.30%), JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.22%), Silchester International Investors International Value Equity Taxable Trust (1.19%)

Note: If the Major Shareholders are legal persons, see the table below.

■ Major Shareholder(s) as Legal Person(s)

Name of Legal Person(s)	Major Shareholders of Legal Person(s)
Kinpo Electronics, Inc.	Compal Electronics Inc. (8.44%), Jipo Investment Inc.(3.14%), Tsai Lai-Shun Shen (2.85%), Panpal Technology Corp. (1.58%), Shen Kun-Chao (1.53%), Ho Bao Investment Co., Ltd. (1.52%), Tsai Li-Chu (1.48%), Union Bank of Switzerland Taipei Branch, Trust property account-Tsai, Li Chu (1.36%), JPMorgan hosting Sanskrit Vanguard Emerging Markets Equity Index Fund account (1.29%), JPMorgan Managed Advanced Stars advanced aggregate International Equity Index (1.25%)
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd. (100.00%)
Taiwan Cooperative Bank, Ltd.	Taiwan Cooperative Financial Holding Co., Ltd. (100.00%)



Professional qualifications and independence analysis of directors

April 18, 2021

Name	Having Met One of the Following Professional Qualifications, Together with at Least Five Years Work Experience			Independence Criteria (Note)												Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director	
	Criteria	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Having Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11		12
Representative of Compal Electronics Inc.: Chen Jui-Tsung			✓			✓				✓			✓	✓	✓		1
Representative of Compal Electronics Inc.: Wong Chung-Pin			✓			✓				✓			✓	✓	✓		0
Representative of Compal Electronics Inc.: Peng Sheng-Hua			✓			✓				✓			✓	✓	✓		0
Representative of Compal Electronics Inc.: Liu Chung-Pao			✓			✓		✓	✓	✓	✓	✓	✓	✓	✓		0
Tseng Chao-Peng			✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Lee Ying -Jen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Wen Ching-Jang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Yang Wen-An		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Wei Je-He	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

Note: Director and Supervisor who meet the following conditions two years before appointment or during the term of appointment, indicate with “✓” at the corresponding boxes below.

- (1) Not an employee of the company or any of its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- (4) Not a managerial officer mentioned in paragraph (1), or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship mentioned in paragraphs (2) and (3).
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, or ranks as its top five shareholders, or the designated representative pursuant to Article 27 Section 1 or 2 in the company as director/supervisor. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)

- (6) Not a director, supervisor, or employee of other company with the Board seats or more than half of the voting shares under control of one person. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (7) Not a director, supervisor, or employee of other company whose chairman or general manager are the same person or spouse of the company. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary)
- (8) Not a director, supervisor, managerial officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company. (The same does not apply, however, if specified company or institution possessing shareholdings of more than 20% and less than 50% of the total number of issued shares of the Company, and in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary)
- (9) Not a professional individual, or an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that provides auditing services or for the past two years, has provided commercial, legal, financial, accounting services or consultation amounted to less than a cumulative NTD500,000 to the company or to any affiliate of the company, or a spouse thereof. However, this does not apply to members of Compensation Committee, Public Tender Offer Review Committee or Special Merger and Acquisition Committee carrying out their duties in accordance with Securities and Exchange Act or Business Mergers and Acquisitions Act.
- (10) Not a spouse or a relative within two degrees of consanguinity to any director.
- (11) Does not meet any of the criteria described in Article 30 of the Company Act.
- (12) Not the proxy of any government agency, juridical person, or their representative that is a shareholder in the Company as outlined in Article 27 of the Company Act.

(2) President, Vice President, Senior Managers and Department Heads:

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Position	Nationality	Name	Gender	Date of Election (Appointment)	Shares Held		Current Shares Held by Spouse, Minor Child(ren)		Shares Held under Another Person(s)		Main Working (Education) Experience	Concurrent Position(s) in the Company or other companies	Spouse or relative within the second degree of kinship Holding Managerial Position			Remark
					Number of Shares	Percentage of Shareholding	Number of Shares	Percentage of Shareholding	Number of Shares	Percentage of Shareholding			Position	Name	Relationship	
President	R.O.C.	Tseng Chao-Peng	Male	February 23, 2017	157,669	0.08%	22,000	0.01%	0	0%	MBA, Oklahoma State University Director of Arcadyan Technology Corporation	Note 1	None	None	None	Note 2
Executive Vice President	R.O.C.	Lu Fong-Yu	Male	May 9, 2003	130,280	0.06%	0	0%	0	0%	Master of Computer Engineering, National Chiao Tung University computer engineering Director of Tatung Technology Inc.	Note 1	None	None	None	Note 2
Senior Vice President	R.O.C.	Chen Chien-Lin	Female	March 26, 2012	317,150	0.15%	4,737	0%	0	0%	Master of Information Engineering, University of Michigan Director of Tatung Technology Inc.	Note 1	None	None	None	Note 2
Vice President	R.O.C.	Liu Chung-Pao	Male	May 9, 2003	30,579	0.01%	0	0%	0	0%	EMBA, National Chiao Tung University Vice President of Accton Technology Corporation	Note 1	None	None	None	Note 2
Vice President	R.O.C.	Hsiung Nien-Che	Male	May 3, 2017	84,560	0.04%	0	0%	0	0%	EMBA, National Chiao Tung University Director of Tatung Technology Inc.	Note 1	None	None	None	Note 2
Vice President	R.O.C.	Lee Chih-Fang	Male	August 1, 2018	253,939	0.12%	11,572	0.01%	0	0%	Bachelor of Electrical Engineering, National Central University Assistant Vice President of Accton Technology Corporation	None	None	None	None	Note 2
Vice President	R.O.C.	Kuo Shin-Lung	Male	August 1, 2018	48,199	0.02%	61	0%	0	0%	Bachelor of Electronic Engineering, Fu Jen Catholic University Vice President of Delta Networks, Inc.	Note 1	None	None	None	Note 2
Chief Financial Officer and Corporate Governance Officer	R.O.C.	Huang Shih-Wei	Male	March 14, 2018	31,790	0.02%	0	0%	0	0%	Master in Accounting, Soochow University Deputy Director of Compal Electronics Inc.	Note 1	None	None	None	Note 2
Head of Internal Auditing	R.O.C.	Peng Yi-Ling	Female	April 17, 2006	0	0%	0	0%	0	0%	Bachelor of Accounting, Yuan Ze University Senior Auditor of KPMG Junior Manager of Masterlink Securities Corporation	None	None	None	None	Note 2

Note 1: List of Concurrent Positions Held by Managers

Position	Name	Concurrent Positions in Other Companies
President	Tseng Chao-Peng	Chairman: Tatung Technology Inc., Arcadyan Technology (Shanghai) Corp., Zhi-Bao Technology Inc., AcBel Telecom Inc., Arcadyan Technology (Vietnam) Co., Ltd. Director: Arcadyan Holding (BVI) Corp., Arcadyan Technology Limited, Arcadyan Technology N.A. Corp., Arcadyan Technology Corporation Korea, Arcadyan Technology Australia Pty Ltd, Arch Holding (BVI) Corp., Exquisite Electronic Co., Ltd., Quest International Group Co., Ltd., Sinoprime Global Inc., Arcadyan TechBnology Corporation., Compal Networking (Kunshan) Co., Ltd., Tatung Home Appliances (WuJiang) Co., Ltd, Tatung Technology of Japan Co., Ltd. CEO: Arcadyan Technology N.A. Corp., Zhi-Bao Technology Inc., Arcadyan Technology (Vietnam) Co., Ltd. Manager: Arcadyan Germany Technology GmbH
Executive Vice President	Lu Fong-Yu	Chairman: Tatung Home Appliances (WuJiang) Co., Ltd, Compal Networking (Kunshan) Co., Ltd. Director: Tatung Technology Inc., Zhi-Bao Technology Inc., AcBel Telecom Inc., Arcadyan Technology (Shanghai) Corp., Arcadyan Technology Australia Pty Ltd CEO: AcBel Telecom Inc.
Senior Vice President	Chen Chien-Lin	Director: Tatung Technology Inc., Arcadyan Technology (Shanghai) Corp.
Vice President	Liu Chung-Pao	Director: Arcadyan Technology (Shanghai) Corp. CEO: Compal Network Information (Kunshan) Co., Ltd., Arcadyan Technology (Shanghai) Corp.
Vice President	Hsiung Nien-Che	Chairman: Arcadyan India Private Limited Director: Tatung Technology Inc., Arcadyan do Brazil Ltda.
Vice President	Kuo Shin-Lung	Director: Chimei Motor Electronics Inc.
Chief Financial Officer and Corporate Governance Officer	Huang Shih-Wei	Supervisor: Tatung Technology Inc., Zhi-Bao Technology Inc., AcBel Telecom Inc., Arcadyan Technology (Shanghai) Corp., Tatung Home Appliances (WuJiang) Co., Ltd.

Note 2: If the CEO or manager of equivalent position (the highest manager) and the Company Chairperson are the same person, or his or her spouse, or the kinship of the first degree, related information regarding the arrangement in term of reasons, rationale, necessity and response measures shall be provided: None.



3. Remuneration of Directors, Supervisors, President, Vice Presidents in the Most Recent Year

(1) Remuneration of Directors and Independent Directors

Unit: NT\$ thousand

Position	Name	Remuneration of Director								Compensation to Directors Also Serving as Company Employees								Sum of A, B, C, D, E, F and G as a percentage of after-tax profit		Remuneration from Affiliates Other than Subsidiaries (H)				
		Remuneration (A)		Pension (B)		Remuneration of Director (C)		Business Department Implementation Fees for Services Rendered (D)		Sum of A, B, C and D as a percentage of after-tax profit (%)		Salary, Bonuses, and Special Allowances etc (E)		Pension (F)		Share of Profit as an Employee (G)								
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	Cash amount	Stock amount		Cash amount	Stock amount	The Company	All companies included in the financial statements
Chairman	Representative of Compal Electronics Inc.: Chen Jui-Tsung																							
Director	Representative of Compal Electronics Inc.: Wong Chung-Pin																							
Director	Representative of Compal Electronics Inc.: Peng Sheng-Hua	0	0	0	0	14,866 (Note 1)	14,866 (Note 1)	840	900	0.92%	0.92%	22,969 (Note 2)	22,969 (Note 2)	280	280	14,077 (Note 3)	0	14,077 (Note 3)	0	3.09%	3.10%	93,359		
Director	Representative of Compal Electronics Inc.: Liu Chung-Pao																							
Director	Tseng Chao-Peng																							
Director	Wei Je-He																							
Independent Director	Lee Ying-Jen																							
Independent Director	Wen Ching-Jang	0	0	0	0	2,010	2,010	540	540	0.15%	0.15%	0	0	0	0	0	0	0	0	0.15%	0.15%	0		
Independent Director	Yang Wen-An																							

1. The correlation between the policies, standards, and structure of the remuneration, and the responsibilities, risk and time undertaken by the Independent Director; In accordance with Articles of Incorporation, article 22, the remuneration is determined by the participation and contribution in the operation of the Company, while taking into consideration the performance of counterparts, all of which the Board meeting is authorized to resolve.

2. In addition to the disclosure in the above table, in the most recent fiscal year, the compensation received by Directors from all companies included in the financial statements for service rendered (e.g. in the capacity of non-Employee consultant): None.

Note 1: Referring to the estimated directors' remuneration approved by the Board of Directors meeting.

Note 2: Bonuses and Special Allowances include vehicles.

Note 3: Referring to the estimated Employee' compensation approved by the Board of Directors meeting.

■ Remuneration bracket table

Range of Remuneration for Directors	Name of Director(s)			
	Sum of the first 4 items (A+B+C+D)		Sum of the first 8 items (A+B+C+D+E+F+G+H)	
	The Company	All consolidated companies	The Company	Parent Company and all consolidated companies
Less than NT\$1,000,000	Chen Jui-Tsung, Wong Chung-Pin, Peng Sheng-Hua, Liu Chung-Pao, Lee Ying-Jen, Wen Ching-Jang, Yang Wen-An, Wei Je-He	Chen Jui-Tsung, Wong Chung-Pin, Peng Sheng -Hua, Liu Chung-Pao, Lee Ying - Jen, Wen Ching- Jang, Yang Wen-An, Wei Je-He	Chen Jui-Tsung, Wong Chung-Pin, Peng Sheng -Hua, Lee Ying -Jen, Wen Ching-Jang, Yang Wen-An, Wei Je-He	Lee Ying -Jen, Wen Ching-Jang, Yang Wen-An, Wei Je-He
NT\$1,000,000 (including) to NT\$2,000,000 (excluding)	-	-	-	-
NT\$2,000,000 (including) to NT\$3,500,000 (excluding)	Chao-Peng Tseng	Chao-Peng Tseng	-	-
NT\$3,500,000 (including) to NT\$5,000,000 (excluding)	-	-	-	-
NT\$5,000,000 (including) to NT\$10,000,000 (excluding)	-	-	-	-
NT\$10,000,000 (including) to NT\$15,000,000 (excluding)	Compal Electronics Inc.	Compal Electronics Inc.	Compal Electronics Inc., Liu Tsung-Pao	Compal Electronics Inc., Liu Tsung-Pao
NT\$15,000,000 (including) to NT\$30,000,000 (excluding)	-	-	Tseng Chao-Peng	Tseng Chao-Peng, Peng Sheng-Hua
NT\$30,000,000 (including) to NT\$50,000,000 (excluding)	-	-	-	Chen Jui-Tsung, Wong Chung-Pin,
NT\$50,000,000 (including) to NT\$100,000,000 (excluding)	-	-	-	-
More than NT\$100,000,000	-	-	-	-
Total	10 persons	10 persons	10 persons	10 persons



(2) Compensation of President and Vice Presidents

Unit: NT\$ thousand

Position	Name	Salary (A)		Pension (B)		Bonuses and Special Allowance (C)		Employee Earnings Distribution (D)				Sum of A, B, C and D as a percentage of after-tax profit (%)		Compensation from Affiliates Other than Subsidiaries
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	Tseng Chao-Peng	28,904	28,904	1,062 (Note 1)	1,062 (Note 1)	42,237 (Note 2)	42,237 (Note 2)	36,868 (Note 3)	0	36,868 (Note 3)	0	6.36%	6.36%	0
Executive Vice President	Lu Fong-Yu													
Senior Vice President	Chen Chin-Lin													
Vice President	Liu Chung-Pao													
Vice President	Hsiung Nien-Che													
Vice President	Lee Chih-Fang													
Vice President	Kuo Shin-Lung													
Chief Financial Officer and Corporate Governance Officer	Huang Shih-Wei													

Note 1: Referring to the allowance and contribution of the expensing of pension.

Note 2: Bonuses and Special Allowances include vehicles.

Note 3: Referring to the estimated Employee' compensation approved by the Board of Directors meeting.

■ Compensation bracket table

Range of Compensation Paid to President and Vice Presidents	Names of President and Vice Presidents	
	The Company	All companies included in the financial statements
Less than NTSS\$1,000,000	-	-
NTSS\$1,000,000 (including) to NTSS\$2,000,000 (excluding)	-	-
NTSS\$2,000,000 (including) to NTSS\$3,500,000 (excluding)	-	-
NTSS\$3,500,000 (including) to NTSS\$5,000,000 (excluding)	-	-
NTSS\$5,000,000 (including) to NTSS\$10,000,000 (excluding)	Huang Shih-Wei	Huang Shih-Wei
NTSS\$10,000,000 (including) to NTSS\$15,000,000 (excluding)	Liu Chung-Pao, Chen Chien-Lin, Hsiung Nien-Che, Lee Chih-Fang, Kuo Shin-Lung	Liu Chung-Pao, Chen Chien-Lin, Hsiung Nien-Che, Lee Chih-Fang, Kuo Shin-Lung
NTSS\$15,000,000 (including) to NTSS\$30,000,000 (excluding)	Tseng Chao-Peng, Lu Fong-Yu	Tseng Chao-Peng, Lu Fong-Yu
NTSS\$30,000,000 (including) to NTSS\$50,000,000 (excluding)	-	-
NTSS\$50,000,000 (including) to NTSS\$100,000,000 (excluding)	-	-
More than NTSS\$100,000,000	-	-
Total	8	8

■ Earnings granted to management team

April 18, 2021
Unit: NT\$ thousand

	Position	Name	Stock amount	Cash amount	Total	Total as a percentage of after-tax profit (%)
Manager	President	Tseng Chao-Peng	0	36,868 (Note)	36,868	2.15%
	Executive Vice President	Lu Fong-Yu				
	Senior Vice President	Chen Chien-Lin				
	Vice President	Liu Chung-Pao				
	Vice President	Hsiung Nien-Che				
	Vice President	Lee Chih-Fang				
	Vice President	Kuo Shin-Lung				
	Chief Accounting Officer and Supervisor of Corporate Governance	Huang Shih-Wei				

Note: Referring to the estimated Employee' compensation approved by the Board of Directors meeting.



- (3) The percentage of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to Directors, Supervisors, President, and Vice Presidents of the Company, relative to net income, and the correlation between policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and business performance and future risks.

Analysis of the proportion of the total remuneration of Directors, Supervisors, President and Vice Presidents paid by the Company and all companies in the consolidated financial statement to net profit after tax in parent-company-only financial statements:

Unit: NT\$ thousand

Item	2020		2019	
	Amount	%	Amount	%
Directors	127,387	7.43%	115,622	8.80%
President and Vice Presidents				
After tax net profit in parent-company-only financial statements	1,713,942		1,313,498	

- The correlation between policies, standards, portfolios for the payment of remuneration, the procedures for determining remuneration, and business performance and future risks:
 - The remuneration and compensation of Directors and Managers is processed in accordance with the Article of Incorporation and human resource regulations of the Company, assessed by the Remuneration Committee and resolved by the Board of Directors.
 - The remuneration above took into consideration the payment paid by counterparts in the industry, as well as personal performance, the operating performance of the Company and a reasonable correlation to future risks.

4. Implementation of Corporate Governance

(1) Board of Directors

- Term of Board of Directors: June 18, 2020 to June 17, 2023.
- There were five Board meetings during 2020. The attendance of Directors is as follows:

Position	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remark
Chairman	Compal Electronics Inc. Representative: Chen Jui-Tsung	5	0	100%	Note: Director, Liu Tsung-Pao is an important representative of manufacturing bases in Mainland China and Vietnam. The COVID-19 pandemic in 2020 affected his ability to come back to Taiwan and participate in the operations of the Board. Since 2021, the Company has arranged for Liu Tsung-Pao to attend the Board meetings via teleconferencing.
Director	Compal Electronics Inc. Representative: Wong Chung-Pin	4	1	80%	
Director	Compal Electronics Inc. Representative: Peng Sheng-Hua	2	3	40%	
Director	Compal Electronics Inc. Representative: Liu Chung-Pao	0	5	0% (Note)	
Director	Tseng Chao-Peng	5	0	100%	
Independent Director	Lee Ying-Jen	5	0	100%	
Independent Director	Wen Ching-Jang	4	1	80%	
Independent Director	Yang Wen-An	5	0	100%	
Director	Wei Je-He	4	1	80%	

Other notes:

1. For Board of Directors meetings that meet any of the following descriptions, state the date, session, the discussed topics, Independent Directors' opinions and how the company has responded to such opinions:

- (1) Conditions described in Article 14-3 of the Securities and Exchange Act: Not applicable as the Company has established the Audit Committee. Regarding the matters described in Article 14-5 of the Securities and Exchange Act, please refer to the operation of the Audit Committee.
- (2) Any other documented objections or qualified opinions raised by Independent Directors against board resolutions in relation to matters other than those described above: None.

2. For the recusal of Director(s), the name of Director(s), the content of the resolution, the reason of recusal and the participation of voting for the resolution.

Time of the Board meeting	Content of resolution	Recusal Name of Director(s)	Reason of recusal	Participation of voting for the resolution
May 6, 2020 The 19th meeting of the 7th Board of Directors	Discussion of the nomination qualification of Directors and Independent Directors of the 8th Board of Directors.	Chen Jui-Tsung and other Directors	Nominees	The Directors recused themselves from the discussion and voting on their nomination qualification. The resolution was passed after the convener solicited opinions from the rest of the Board and received no objections.
May 6, 2020 The 19th meeting of the 7th Board of Directors	Salary adjustment for 2020.	Tseng Chao-Peng , Liu Tsung-Pao	Holding concurrent position as Manager of the Company.	The relevant Directors recused themselves from the discussion and voting due to the conflict of interest. The resolution was passed after the convener solicited opinions from the rest of the Board and received no objections.
	Disbursement of Dragon Boat and Mid-Autumn Festivals bonus for 2020.	Tseng Chao-Peng , Liu Tsung-Pao	Holding concurrent position as Manager of the Company.	
June 18, 2020 The 1st meeting of the 8th Board of Directors	Appointment of Remuneration Committee members.	Li Ying-Chen, Wen Ching-Chang, Yang Wen-An	Nominees	The relevant Directors recused themselves from the discussion and voting due to the conflict of interest. The resolution was passed after the convener solicited opinions from the rest of the Board and received no objections.
	Appointment of the Company President.	Tseng Chao-Peng	Nominees	

Time of the Board meeting	Content of resolution	Recusal Name of Director(s)	Reason of recusal	Participation of voting for the resolution
August 5, 2020, the 2nd meeting of the 8th Board of Directors	Disbursement of Employee compensation for 2019	Tseng Chao-Peng, Liu Chung-Pao	Holding concurrent positions as Managers of the Company.	The relevant Directors recused themselves from the discussion and voting due to the conflict of interest. The resolution was passed after the convener solicited opinions from the rest of the Board and received no objections.
	Disbursement of Directors remuneration for 2019	Chen Jui-Tsung and other Directors	Discussion of disbursement amount for themselves and the legal persons they represented.	The relevant Directors recused themselves from the discussion and voting due to conflict of interest. The resolution was passed after the convener solicited opinions from the rest of the Board and received no objections.
November 11, 2020 The 3rd meeting of the 8th Board of Directors	Disbursement of year-end bonus for 2020	Tseng Chao-Peng, Liu Chung-Pao	Holding concurrent positions as Managers of the Company.	The relevant Directors recused themselves from the discussion and voting due to conflict of interest. The resolution was passed after the convener solicited opinions from the rest of the Board and received no objections.

3. Public listed companies shall disclose the frequency and timing of self-evaluation (or peer evaluation), and scopes, methodology and content of assessment conducted by the Board of Directors, as well as the execution status by the Board.

On May 6, 2020, the Board passed a resolution for the establishment of “Procedures of Performance Evaluation of the Board of Directors and Functional Committees.” Evaluation results for 2020 are as follows:

Committee	Frequency of evaluation	Evaluation period	Scope of evaluation	Method of evaluation	Content of evaluation
Board of Directors	Once a year	January 1, 2020 to December 31, 2020	Board of Directors and individual Directors	Internal self-evaluation of the Board and self-evaluation of Board members	<p>The performance evaluation items of the Board shall at least include the following five major areas:</p> <ol style="list-style-type: none"> 1. Participation level in the management of the Company. 2. Enhancement of the decision making quality of the Board. 3. Composition and structure of the Board of Directors. 4. Selection and continuing education of Directors. 5. Internal control. <p>The performance evaluation items of the Board members shall at least include the following six major areas:</p> <ol style="list-style-type: none"> 1. Monitoring of company goals and tasks. 2. Comprehension of Director’s duties. 3. Participation level in the management of the Company. 4. Management and communication of internal relationships. 5. Professionalism and continuing education of Directors. 6. Internal control.
Audit Committee	Once a year	January 1, 2020 to December 31, 2020	Audit Committee	Internal self-evaluation of Audit Committee	<p>The performance evaluation items of Audit Committee shall at least include the following five major areas:</p> <ol style="list-style-type: none"> 1. Participation level in the management of the Company. 2. Comprehension of Audit Committee’s duties. 3. Enhancement of the decision making quality of Audit Committee. 4. Composition of the Audit Committee and selection of committee members. 5. Internal control.

Committee	Frequency of evaluation	Evaluation period	Scope of evaluation	Method of evaluation	Content of evaluation
Remuneration Committee	Once a year	January 1, 2020 to December 31, 2020	Remuneration Committee	Internal self-evaluation of Remuneration Committee	The performance evaluation items of Remuneration Committee shall at least include the following four major areas: 1. Participation level in the management of the Company. 2. Comprehension of Remuneration Committee's duties. 3. Enhancement of the decision making quality of Remuneration Committee. 4. Composition of Remuneration Committee and selection of committee members.

Enhancing the valuation regarding the target achievement and execution by the Board of Directors in the current and most recent year (e.g. establishing Audit Committee, increase information transparency).

1. The Board of Directors established two functional committees, namely the Audit Committee (in 2014) and Remuneration Committee (in 2014). The Independent Directors constitute the entire members of the Audit Committee and Remuneration Committee, and assist the Board in fulfilling its duties.
2. To establish a good corporate governance, assist the Board in fulfilling its duties, thus enhancing its effectiveness, in accordance with "Operating Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers," the Board passed resolution to appoint CFO, Huang Shih-Wei as the Corporate Governance Officer on November 7, 2019.
3. In accordance with "Regulations Governing Procedure for Board of Directors Meetings of Public Companies," the Company has amended "Rules and Procedures for Board of Directors Meetings" for legal compliance on March 17, 2020. The attendance of Directors in the Board meetings is disclosed on Market Observation Post System, and material resolutions of the Board meetings are disclosed on the Company website.
4. On May 6, 2020, the Board passed resolution for the establishment of "Procedures of Performance Evaluation of the Board of Directors and Functional Committees." The results of the evaluation shall be forwarded to the Remuneration Committee for making analysis and recommendation proposal before reporting to the Board. The results shall serve as a reference for salary and remuneration for individual Directors, as well as for the nomination of their re-election. The Company had completed the performance evaluation for 2020 on March 17, 2021 and submitted the report to the Remuneration Committee and the Board of Directors.
5. Continuing education of Directors: The Company encourages Directors to participate in continuing education to keep informed of new knowledge. The total hours of training for all Directors in 2020 amounted to 68 hours.

(2) Audit Committee:

- Term of Audit Committee: June 18, 2020 to June 17, 2023.
- The duties of the Audit Committee include: reviewing and examining financial reports, internal audit function, significant assets, derivative transactions, loan of funds, endorsement or guarantee provision; appointment or dismissal, fee proposal and independence assessment of CPAs; relief of duties of finance, accounting or internal control supervisors; attending to whistle-blowing cases and inspecting legal compliance of the Company on a regular basis.

There were five Audit Committee meetings during 2020. The attendance of Directors is as follows:

Position	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remark
Independent Director	Lee Ying-Jen	5	0	100%	
Independent Director	Wen Ching-Jang	4	1	80%	
Independent Director	Yang Wen-An	5	0	100%	

Other notes:

1. For Audit Committee meetings that meet any of the following descriptions, state the date, session, the discussed topics, independent directors' opinions and how the company has responded to such opinions:

(1) Matters described in Article 14-5 of the Securities and Exchange Act

Board of Directors Date/Session	Content of resolution and follow-up actions	Matters described in Article 14-5 of the Securities and Exchange Act	Resolution that has not been passed by the Audit Committee but passed by two-thirds or more of all directors
March 17, 2020 The 18th meeting of the 7th Board of Directors	1. Financial reports for 2019.	V	None.
	2. Statement of internal control system for 2019.	V	None.
	3. Proposal for the change of independent auditors.	V	None.
	4. Loaning funds to subsidiary, Arcadyan Technology (Vietnam) Co., Ltd.	V	None.
	Resolution of the Audit Committee meeting (March 17, 2020): The resolution was passed after the convener solicited opinion from the attending members and received no objection.		
	Response of the Company toward the opinion of the Audit Committee: The resolution was passed after the convener solicited opinion from the attending directors and received no objection.		

Board of Directors Date/Session	Content of resolution and follow-up actions	Matters described in Article 14-5 of the Securities and Exchange Act	Resolution that has not been passed by the Audit Committee but passed by two-thirds or more of all directors
June 18, 2020 The 1st meeting of the 8th Board of Directors	1. Resolution passed for the appointment of Chief Accounting Officer.	V	None.
	2. Resolution passed for the appointment of Internal Audit Officer.	V	None.
	3. Approval for loaning funds to subsidiary, Arcadyan Technology Corporation (Russia), LLC.	V	None.
	Resolution of the Audit Committee meeting (June 18, 2020): The resolution was passed after the convener solicited opinion from the attending members and received no objection. Response of the Company toward the opinion of the Audit Committee: The resolution was passed after the convener solicited opinion from the attending directors and received no objection.		
August 5, 2020 The 2nd meeting of the 8th Board of Director	1. Approval for loaning funds to subsidiary, Arcadyan Technology Limited.	V	None.
	2. Approval for loaning funds to subsidiary, Arcadyan do Brasil Ltda.	V	None.
	Resolution of the Audit Committee meeting (August 5, 2020): The resolution was passed after the convener solicited opinion from the attending members and received no objection.		
	Response of the Company toward the opinion of the Audit Committee: The resolution was passed after the convener solicited opinion from the attending directors and received no objection.		
November 11, 2020 The 3rd meeting of the 8th Board of Directors	1. Approval for the audit plan for 2021.	V	None.
	2. Assessment of the independence and qualification of the auditing CPAs.	V	None.
	3. Proposal to establish a subsidiary in India.	V	None.
	Resolution of the Audit Committee meeting (November 11, 2020): The resolution was passed after the convener solicited opinion from the attending members and received no objection. Response of the Company toward the opinion of the Audit Committee: The resolution was passed after the convener solicited opinion from the attending directors and received no objection.		

- (2) Except for the aforesaid events, any resolution that has not been passed by the Audit Committee but passed by two-thirds or more of all directors: None.
2. For the recusal of Independent Director(s), the name of Independent Director, the content of the resolution, the reason of recusal and the participation of voting for the resolution: None.
3. Method of communication between Independent Directors, the Internal Audit Officer, and CPA (communication should include material matters, method and results pertaining to financial reports and business operation).
- (1) Method of communication between Independent Directors, the Internal Audit Officer, and CPA:

- By the end of the following month after completing the audited items, the Internal Audit Officer shall submit an audit report to the members of the Audit Committee. Should the Independent Directors require clarification of the audit and follow-up actions, they should contact the Internal Audit Officer at any time.
- The Internal Audit Officer and the Independent Directors shall hold at least one meeting every quarter, reporting the execution of internal audit and the operating status of internal control.
- Should an auditing need arises, the Internal Audit Officer should submit a written report or make a verbal report to the members of the Audit Committee.

(2) Summary of the communications between Independent Directors and Internal Audit Officer:

Date	Communication Items
March 17, 2020	Reporting of internal audit conducted in November and December of 2019 and Internal Control System Statement.
May 6, 2020	Reporting of internal audit conducted in 2020 Q1.
June 18, 2020	Reporting of internal audit conducted in April 2020 and appointment of Internal Audit Officer.
August 5, 2020	Reporting of internal audit conducted in May and June of 2020.
November 11, 2020	Reporting of internal audit conducted in 2020 Q3 and audit plan for 2021.

(3) Summary of the communications between the Independent Directors and CPA:

Date	Communication Items
March 17, 2020	CPAs reported on key audit matters and results of finding, and engaged in discussion and communication with the attending members pertaining to their queries.

(3) Corporate Governance Implementation, Deviations and causes of deviation from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”

Assessment criteria	Actual governance (Note)			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
1. Has the company established and disclosed its corporate governance principles based on the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?”	V		In accordance with “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, the Company has established “Corporate Governance Best Practice Procedures” and make relevant disclosure on the Company website and Market Observation Post System.	No material deviation.
2. Shareholding structure and shareholders’ interests				
(1) Has the Company implemented a set of internal procedures to handle shareholders’ suggestions, queries, disputes, and litigations?	V		(1) In addition to designating specialized units to address the suggestions, queries, disputes, and litigations from shareholders, the Company has also appointed a spokesperson and acting spokesperson that take actions and make relevant responses. The Company website has also provided contact details and e-mail to handle investor relations.	No material deviation.
(2) Is the Company constantly informed of the identities of its major shareholders and the ultimate controller?	V		(2) The Company has appointed a share administration agency to renew register of shareholders and register of major shareholders to closely monitor the list of shareholder(s) with de facto control, submitting the information of the changes in accordance with rules governing information reporting for public listed companies.	No material deviation.
(3) Has the Company established and implemented risk management practices and firewalls for companies it is affiliated with?	V		(3) The Company and its affiliated companies operate independently. Each company has its internal control system and regulations. The Company has established and executed the rules governing the supervision of subsidiaries.	No material deviation.
(4) Has the Company established internal policies that prevent insiders from trading securities against non-public information?	V		(4) Pertaining to the internal control system, the Company has established “Insider Trading Prevention Procedures” and had been made available on the Company website. The directors, managers and employees who obtain material information via their positions, work	No material deviation.

Assessment criteria	Actual governance (Note)			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			or controlling interest, must conform to the Procedures.	
<p>3. Composition and responsibilities of the Board of Directors</p> <p>(1) Has the Board established and implemented policies to ensure the diversity of it?</p>	V		<p>(1) The Company has nine directors, including three Independent Directors, and one external individual director. Seven directors do not assume managerial positions in the Company; every director possesses professional background, including business, legal, accounting, technology, management, professional skills and industrial experience, which form a diversified composition. The current Board members who are commendable in leadership quality, business judgement, operation and management, and product knowledge include Chen Jui-Tsung, Wong Chung-Pin, Peng Sheng-Hua, Tseng Chao-Peng, Liu Chung-Pao, Lee Ying-Jen and Wen Ching-Jang; member with accounting knowledge and financial analytical capability includes Yang Wen-An; member with academic accomplishment includes Wei Je-He.</p> <p>Directors who are also employees of the Company represent 22% of the Board; Independent Directors represent 33%, the average age of the directors falls between 60 and 70 years old.</p> <p>The target of Board diversification shall be taken into consideration when one director with telecommunication knowledge is to be elected in the coming future to provide professional advice on operational matters, improve the competitiveness of the Company, thus completing the function of the Board.</p> <p>The Board shall establish the diversity policy pertaining to the composition of Directors, and provide disclosure on the Company website and Market Observation Post System.</p>	No material deviation.

Assessment criteria	Actual governance (Note)			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
(2) Apart from the Remuneration Committee and Audit Committee, has the Company assembled other functional committees at its own discretion?		V	(2) Apart from the Remuneration Committee established in accordance with the law, and the Audit Committee established ahead of stipulated time voluntarily, the Company has yet to establish other functional committees.	No material deviation.
(3) Has the Company established a set of policies and assessment methodology to evaluate the performance of the Board? Is regular performance evaluation conducted, at least once a year, and the evaluation result is submitted to the Board to serve as a reference in determining the remuneration of individual Directors and nomination for a re-election?		V	(3) On May 6, 2020, the Board passed resolution for the establishment of "Procedures of Performance Evaluation of the Board of Directors and Functional Committees." The scope of evaluation includes the performance evaluation of the entire Board of Directors, individual Directors and functional committees. The scope of evaluation includes self-evaluation of the Board and functional committees, self-evaluation of individual Board members or other appropriate methods to conduct the performance evaluation. The results of the evaluation were forwarded to the Remuneration Committee for making analysis and recommendation proposal before reporting to the Board. The results shall serve as a reference for the salary and remuneration for individual Directors, as well as for the nomination of their re-election. The Company had completed the performance evaluation for 2020 on March 17, 2021 and submitted the report to the Remuneration Committee and the Board of Directors.	No material deviation.
(4) Does the Company assess the independence of external auditors on a regular basis?	V		(4) The auditing firm of the Company and its employees are required to submit an "Independent Auditor's Report." After verification, in addition to audit and tax fees, the Company confirmed that there is no other business interest and relations with the CPAs. Further, when the Board discussing the independence and engagement of the auditing CPAs, the recommended CPAs are required to submit CVs and their independence declaration (declaring not in violation	No material deviation.

Assessment criteria	Actual governance (Note)			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			of Ethical Standards Publication No. 10) for the independence evaluation discussion of the Board. The Audit Committee and Board of Directors assess the independence and qualification of the CPAs regularly every year. The most recent assessment is completed on November 11, 2020.	
4. Does the TWSE/TPEX listed company dedicate competent managers or sufficient number of managers to take charge of corporate governance, and designate supervisors thereof to oversee the corporate governance affairs (including but not limited to providing information required for director/supervisor's operations, assisting the Board and Supervisors in legal compliance, convening Board/Shareholders' meetings in accordance with the law, applying for/changing company registry, and producing meeting minutes of Board/Shareholders' meetings)?	V		The Company has designated specific personnel to take charge of corporate governance. On November 7, 2019, the Board passed the resolution to establish a Supervisor for corporate governance, so as to provide the information required for the Directors and Independent Directors to perform their duties, convene Board/Shareholders' meetings in accordance with the law, prepare meeting minutes of Board/ Shareholders' meetings, monitor and amend the corporate governance principles and procedures on a regular basis, and implement corporate governance management. In 2020, the supervisor of corporate governance had completed 21 hours of training and reported to the MOPS.	No material deviation.
5. Has the Company established a means of communicating with its interested parties stakeholders (including but not limited to shareholders, employees, customers, suppliers, et cetera) or created a interested party section on the Company website? Does the Company respond to interested parties' questions on corporate responsibilities?	V		The Company maintains good communication channels with its banks, shareholders, suppliers, creditors and employees, as well as respecting and protecting their legal interests. The Company has provided phone numbers and e-mails for queries and investor relations. Various interested parties may also reach the Company via e-mail when needed.	No material deviation.
6. Does the Company appoint the professional share administration agency to handle the affairs of the shareholders' meeting?	V		The Company has appointed Chinatrust Transfer Agent to handle the affairs of the shareholders' meeting.	No material deviation.
7. Information disclosure (1) Has the company established a website that discloses financial, business and corporate governance-related information?	V		(1) The information on the Company website, www.arcadyan.com is collected and maintained by specific unit.	No material deviation.

Assessment criteria	Actual governance (Note)			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
<p>(2) Does the company make disclosure using other avenues (e.g. setting up an English website, designating specific personnel to collect and provide disclosure on the Company, implementing spokesperson system, disclosing the process of institutional investor conferences on the Company website and et cetera)?</p> <p>(3) Does the Company publicly announce and file the annual financial reports within two months after the accounting year-end, and publicly announce and file the first, second and third quarterly financial reports and monthly operating status report before the stipulated deadlines?</p>	V	V	<p>(2) The Company provides disclosure on the relevant information on the Company website and Market Observation Post System from time to time. Further, the Company has established Investor Relations section on its Chinese and English websites, providing adequate disclosure on financial information, institutional investor conferences and corporate governance for the reference of shareholders and the public.</p> <p>(3) In accordance with regulations stipulated by the competent authority, the Company publicly announces and files the yearly financial reports three months after the accounting year ends, as well as the first, second and third quarterly financial reports and monthly operating status report before the stipulated deadlines.</p>	<p>No material deviation.</p> <p>No material deviation.</p>
<p>8. Does the Company have other important information for better understanding the Company's corporate governance system (including but not limited to interests and rights of employees, care for employees, investor relations, relations with suppliers, relations with interested parties, continuing education of directors and supervisors, execution of risk management policies and risk measuring standards, execution of customer policies, liability insurance for the Company's directors and supervisors)?</p>	V		(Note 1)	No material deviation.
<p>9. Please describe improvements that have been made pertaining to the results of the corporate governance evaluation as prescribed by the Taiwan Stock Exchange Corporate Governance Center, as well as priorities and measures for matters that have yet to be improved:</p> <p>1. According to the 7th Corporate Governance Evaluation Results announced by the Corporate Governance Center of Taiwan Stock Exchange, the Company has improved from being one of the fifth range companies, i.e., the top 51% to 65% companies, to being one of the third range companies, i.e., the top 21% to 35% companies. The Company shall make effort in expanding and deepening the implementation of environmental, social and governance (ESG) criteria, thus working toward sustainable development.</p> <p>2. Improvements made in 2020 are mainly as follows:</p> <p>(1) Simultaneously provided English version information of the shareholders' meeting.</p> <p>(2) More half of the Directors and the convener of Audit Committee attended the shareholders' meeting in</p>				

Assessment criteria	Actual governance (Note)			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>person.</p> <p>(3) The disclosure on the management of insider trading prevention, diversification of the Board members and other policies were strengthened on the Company website.</p> <p>(4) The implementation of integrity management, the management of intellectual properties and communication with stakeholders were reported to the Board of Directors and disclosed on the Company website.</p> <p>(5) Increase the continuing education hours of Directors every year.</p> <p>(6) The Board passed a resolution for the establishment of “Procedures of Performance Evaluation of the Board of Directors and Functional Committees” in 2020.</p> <p>3. The expected improvements to be made in 2021 are mainly as follows:</p> <p>(1) From the first quarter onward, the English version of the quarterly financial statements shall be released at the same time.</p> <p>(2) The Board meeting shall be conducted via teleconferencing to increase the attendance of the Directors.</p> <p>(3) Make major announcements in both Chinese and English to increase the timeliness of information made available to foreign shareholders.</p>	

Note 1: Does the Company have other important information to provide better understanding of the corporate governance system?

1. Employee interest: The Company has established Staff Benefit Committee to plan for employee group insurance, arrange for regular medical check-ups and implement pension system. The Company also provides numerous avenues for education, as fostering good labor-management relations and creating equal opportunity for employment are deemed important.
2. Employee welfare: Fostering a good and trusting relationship with employees by providing a satisfactory and steady welfare system for employees’ lives, and proper educational training to them. For example, subsidizing the social activities of employees, and providing entertainment, staff quarters and welfare of employees staying in staff quarters.
3. Code of conduct or ethical policies for employees: To implement the corporate governance principles and provide the code of conduct, legal compliance and moral principles for employees, so as to protect the assets, rights and reputation of the Company and shareholders, the Company has established the following business ethical policies:
 - Conforming to the rules and regulations of the law.
 - Protecting the rights of employees, customers, shareholders, suppliers, community and environment.
 - Insisting on the adoption of business ethics, fair transaction, integrity in management, transparency of information, protection of IPs, personal safety and business secrets.
4. Investor relations: The Company has established an investor relations department to bridge the communication between the Company and the investors. In addition to regular and irregular institutional investor conferences, the Company has established Investor Relations section on its website which not only provides disclosure on company information, but also allows investors to fully comprehend the operating results and long term operating strategy of the Company.
5. Relationship with suppliers: The Company enters into contracts with all suppliers to protect mutual interest and foster a good working relationship.
6. Interested parties’ rights: The interested parties are able to communicate and make

suggestions with the Company to protect their legal rights.

7. Status of financial personnel obtaining licenses issued by the competent authorities: The Head of Financial Division possesses CPA qualification of ROC and Certified Internal Auditor (CIA) qualification; the Head of Internal Audit Division possesses CIA qualification, which meets the practicing requirement of an internal auditor.
8. Continuing education of Directors

Position	Name	Date of training	Organized by	Course title	Hours of training
Chairman	Chen Jui-Tsung	October 16, 2020	Compal Electronics Inc.	Changes and Constants of the Presidential Elections of the US	1
		December 10, 2020	Accounting Research and Development Foundation	Policy Analysis and Practice of Internal Control Management of "Assisting Companies in Enhancing Financial Reporting Preparation Capabilities"	6
Director	Wong Chung-Pin	October 16, 2020	Compal Electronics Inc.	Changes and Constants of the Presidential Elections of the US	1
Director	Peng Sheng-Huaz	October 16, 2020	Compal Electronics Inc.	Changes and Constants of the Presidential Elections of the US	1
Director	Wei Che-Ho	April 28, 2020	Taiwan Corporate Governance Association	Response Strategies for the Transformation of Companies	3
		August 17, 2020	Securities & Futures Institute of R.O.C.	Corporate Governance and Securities Regulations	3
		October 26, 2020	Taiwan Institute of Directors	Opportunities and Challenges of Companies in the midst of the US-China Trade War	3
Independent Director	Lee Ying-Jen	February 25, 2020	Taiwan Securities Association	Digital Empowerment - The Practice and Case Study of Outsourcing Innovation of Enterprises	3
		September 22, 2020	Taiwan Institute of Directors	KPMG Forum of Leadership Academy: Improvements on Corporate Governance in Response to Cataclysmic Risks	3
Independent Director	Wen Ching-Jang	November 6, 2020	Securities & Futures Institute of R.O.C.	Key Financial and Taxation Issues for 2020	3
			Securities & Futures Institute of R.O.C.	Recent Case Study Analysis of Securities and Exchange Act that Directors Should Know	3
Independent	Yang Wen-An	July 16,	National Federation	AI Auditing	3

Position	Name	Date of training	Organized by	Course title	Hours of training
ent Director		2020	of CPA Associations of R.O.C.		
		August 31, 2020 to September 4, 2020	National Federation of CPA Associations of R.O.C.	Introduction to International Standard on Auditing	29
		September 1, 2020	National Federation of CPA Associations of R.O.C.	Introduction to Money Laundering Control Act	3
		September 21, 2020	Taiwan Stock Exchange	Corporate Governance 3.0 - Summit for Sustainable Development Blueprint	3

9. Execution of customer policy: The Company fosters a stable and good relationship with customers to create profit.
10. Purchase of insurance against liabilities of Directors: The Company has purchased insurance for all Directors against liabilities. The insurance premium for 2020 amounted to US\$10,000 thousand (NT\$ 284,800 thousand) and on March 17, 2020, the content of the insurance was reported to the Board of Directors.
11. Continuing Education for Accounting Supervisor, Supervisor of corporate governance and Head of Auditing

Position	Name	Date of training	Organized by	Course title	Hours of training
Chief Accounting Officer	Huang Shih-Wei	July 23, 2020 to July 24, 2020	Accounting Research and Development Foundation	Training program for the Accounting Officer	12
Corporate Governance Officer	Huang Shih-Wei	August 11, 2020	Accounting Research and Development Foundation	Audit Compliance of Regulatory Requirement to Designate Corporate Governance Personnel	6
		August 26, 2020	Accounting Research and Development Foundation	How Internal Auditors Should Apply Digital Forensics in Trade Secret Protection and Investigation	6
		September 15, 2020	Accounting Research and Development Foundation	Analysis of Internal Auditors on Compliance of Fraud Prevention Pertaining to Information Security and Personal Privacy	6
		October 16, 2020	Taiwan Stock Exchange Corporation and Taipei Exchange	2020 Awareness Campaign for Corporate Governance and Integrity of Directors and Supervisors	3
Head of Auditing	Peng Yi-Ling	August 14, 2020	The Institute of Internal Auditors-Chinese Taiwan	Practice of the Company Act Implementation and Analysis of the Latest Interpretation	6
		September 24, 2020	The Institute of Internal Auditors-Chinese Taiwan	Legal Risk of Business Management and Responding Measures of Internal Auditors	6

(4) If the Company has established the Remuneration Committee, its

composition, responsibilities and operation should be disclosed:

The Remuneration Committee holds meeting at least twice per year. It is responsible for assisting the assessment and evaluation of the remuneration of Directors and the salary standard of the Managers so as to align the disbursement of compensation to the performance of individuals and the Company, justifying the remuneration and salary, and attracting and keeping outstanding talents.

Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title	Name	Criteria	Having Met One of the Following Professional Qualifications, Together with at Least Five Years Work Experience	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Having Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	Independence Criteria (Note 1)										Number of Other Public Companies in which the Individual is Concurrently Serving as a Remuneration Committee Member	Remark (Note 2)
						1	2	3	4	5	6	7	8	9	10		
Independent Director	Wen Ching-Jang				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Not applicable
Independent Director	Lee Ying-Jen				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Not applicable
Independent Director	Yang Wen-An			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Not applicable

Note 1: Please check "✓" in the box for a member, who during the two years before being elected or during the term of office, any of the following applied.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders.
- (4) Not a managerial officer mentioned in paragraph (1), or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship mentioned in paragraphs (2) and (3).
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds five percent or more of the total number of issued shares of the Company, or ranks as its top five shareholders, or the designated representative pursuant to Article 27 Section 1 or 2 in the Company as director/supervisor. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)

- (6) Not a director, supervisor, or employee of other company with the Board seats or more than half of the voting shares under control of one person. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (7) Not a director, supervisor, or employee of other company whose chairman or general manager are the same person or spouse of the Company. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary)
- (8) Not a director, supervisor, managerial officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company. (The same does not apply, however, if specified company or institution possessing shareholdings of more than 20% and less than 50% of the total number of issued shares of the Company, and in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary)
- (9) Not a professional individual who, as an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services, or consultation to the company or to any affiliate of the company, or the spouse thereof.
- (10) For matters described in Article 30 of the Company Act, none was found.

Note 2: If the member of the committee also serves as a Director, please describe if “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange “ article 6, subparagraph 5 is observed.

■ Attendance of Members at Remuneration Committee Meetings

1. The Company elected three members of the Remuneration Committee.
2. The term of the current Committee: June 18, 2020 to June 17, 2023. There were four Remuneration Committee meetings for the latest fiscal year and the qualifications and attendance records of the Committee member are as follows:

Position	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remark
Convener	Wen Ching-Jang	3	1	75%	
Committee Member	Lee Ying-Jen	4	0	100%	
Committee Member	Yang Wen-An	4	0	100%	

■ Other notes:

1. If the Board of Directors declines to adopt or modify a recommendation of the remuneration committee, it should specify the date of the meeting, the session, the nature of motion, the resolution made by the Board of Directors, and the Company’s response to the remuneration committee’s opinion (e.g., if the amount of remuneration passed by the Board of Directors has discrepancy with the recommended amount by the Remuneration Committee, the circumstances and cause for the difference shall be specified): None.
2. If resolutions of the Remuneration Committee are objected by members or

become subjected to a qualified opinion, which has been recorded or declared in writing, then the date of the meeting, the session, the nature of the motion, all members' opinions and the response to members' opinions should be specified: None.

3. The matters discussed and resolutions passed by the Remuneration Committee, and the response of the Company toward the opinion of the Committee:

Board of Directors Date/Session	Content of resolution and follow-up actions	Objections or reserved opinions of the Remuneration Committee
March 17, 2020 The 18th meeting of the 7th Board of Directors	1. Appropriation of the remuneration to Directors and compensation to Employees for 2019.	None.
	2. Appropriation ratio of the remuneration to Directors and compensation to Employees for 2020.	None.
	Opinion of Remuneration Committee: None.	
	Resolution of Remuneration Committee: All attending members agreed and passed the resolution, and the matter was submitted to the Board for discussion.	
	Response of the Company toward the Remuneration Committee's opinion: The resolution was passed after the convener solicited opinions from the Board and received no objections.	
May 6, 2020 The 19th meeting of the 7th Board of Directors	1. Salary adjustment for 2020.	None.
	2. Disbursement of Dragon Boat and Mid-Autumn Festivals bonuses for 2020.	None.
	Opinion of Remuneration Committee: None.	
	Resolution of Remuneration Committee: All attending members agreed and passed the resolution, and the matter was submitted to the Board for discussion.	
	Response of the Company toward the Remuneration Committee's opinion: As Tseng Chao-Peng and Liu Chung-Pao were the managers of the Company and to avoid conflict of interest, The resolution was passed after the convener solicited opinions from the Board and received no objections.	
August 5, 2020 The 2nd meeting of the 8th Board of Directors	1. Disbursement of employee compensation for 2019.	None.
	2. Disbursement of remuneration of Directors for 2019.	None.
	3. Change of appropriation of Director remuneration for 2020.	None.
	Opinion of Remuneration Committee: None.	
	Resolution of Remuneration Committee: All attending members agreed and passed the resolution, and the matter was submitted to the Board for discussion.	
November 11,	Response of the Company toward the Remuneration Committee's opinion: For the first resolution, Tseng Chao-Peng and Liu Chung-Pao were the managers of the Company and to avoid conflict of interest, the resolution was passed after the convener solicited opinions from the Board and received no objections. For the second and third resolution, due to their positions or the legal person(s) they represent, Chen Jui-Tsung and other Directors did not participate in the discussion and voting pertaining to the disbursement amount to them. All resolutions had been passed by the attending directors without objection.	
	1. Disbursement of year-end bonus for 2020.	None.

Board of Directors Date/Session	Content of resolution and follow-up actions	Objections or reserved opinions of the Remuneration Committee
2020 The 3rd meeting of 8th Board of Directors	<p>Opinion of Remuneration Committee: None.</p> <p>Resolution of Remuneration Committee: All attending members agreed and passed the resolution, and the matter was submitted to the Board for discussion.</p> <p>Response of the Company toward the Remuneration Committee’s opinion: As Tseng Chao-Peng and Liu Chung-Pao were the managers of the Company and to avoid conflict of interest, they recused from the discussion and voting. All resolutions had been passed by the attending directors without objection.</p>	

■ Functions:

1. Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for Directors/Independent Directors, and managerial officers.
2. Periodically evaluate and prescribe the remuneration of Directors/Independent Directors, and management team.

(5) Corporate Social Responsibility Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
1. Has the Company performed risk assessment pertaining to the environment, community and corporate governance issues related to the operation of the Company in accordance with materiality principle, and established the corresponding risk management policies or strategies?	V		Using an analytical method based on materiality principle, the Company performed a questionnaire on known interested parties to find out about their interest level on environmental protection, social and corporate governance issues. In the process of managing the business, the Company can implement preventive and mitigating measures for potential risks, and establish the relevant early warning measures as a reference for risk management and business strategy. Please refer to page 233 to 234 of the annual report.	No material deviation.
2. Does the company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and reports its progress to the Board of Directors?		V	The Company has established “CSR Committee”, integrating the companies of the Group and welfare entities to promote social welfare activities. The Committee established the relevant projects every year, organizing various talks, experiential activities, assisting colleagues to implement CSR in their daily lives.	Proposal shall be presented to the Board for authorizing the CEO office to oversee the CSR operation.
3. Environmental issues (1) Has the Company developed an appropriate environmental management system, given the distinctive characteristics of its industry?	V		(1) Conforming to the domestic Occupational Safety and Health Act, the Company has established an effective occupational safety and health management system.	No material deviation.
(2) Is the Company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?	V		(2) The Company continues to implement resource recycling and waste reduction at industrial level, closely putting into effect garbage sorting and recycling and reducing single-use items, implementing waste sorting and reducing the single-use apparatus, such as cups, utensils, so as to curtail the overloading of the environment.	No material deviation.
(3) Has the Company made an assessment on the present and future potential risks and opportunities posed by climate changes to the	V		(3) In face of potential risk of surge in the cost of raw materials, and the changes undertaken to alleviate climate change to create opportunities for the Company, all employees shall participate in green design, and prevention of pollution to	No material deviation.

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
<p>Company and undertaken countermeasures pertaining to climate changes?</p> <p>(4) Has the Company measured its greenhouse gas emission, water use and total weight of waste for the past two years, and established policies pertaining to energy conservation, reduction in carbon and greenhouse gas emission, reduction in water use, or management of waste disposal?</p>	V		<p>create an environment that is safe, hygienic and untroubled, considering from the perspective of carbon emission when designing and transporting. The Company shall continue to promote and implement eco-design in products, using innovative technologies to alleviate the impact climate change has on the environment while increasing product safety.</p> <p>(4) According to the inspection of greenhouse gas emission, the yearly greenhouse gases emitted in 2019 and 2020 as computed by converting the electric meter data was 1,683 metric tons and 2,884 metric tons, respectively. The water use was 19,502 metric tons and 21,264 metric tons respectively. The waste, including general waste and recycled waste, was 34 metric tons and 37 metric tons. The Company shall continue its effort in environmental protection.</p> <p>The Company has established policies on energy conservation, carbon reduction, reduction of greenhouse gas emission and water use, and other waste treatment. For details, please see the CSR Report.</p>	No material deviation.
<p>4. Social Issues</p> <p>(1) Has the company developed its policies and procedures in accordance with laws and International Bill of Human Rights?</p> <p>(2) Has the Company established and implemented reasonable employee benefit measures (including salary, leave and other</p>	V		<p>(1) The Company meets the requirement of the CSR management system, while management policies and procedures meet the domestic labor laws and international treaties, conforming to Labor Standard Act and other relevant regulations, ensuring the legal rights of Employees, forming Staff Benefit Committee, contributing to pension funds, holding regular labor-management meetings, providing channels for voicing and communicating of opinion for both labor and management.</p> <p>(2) The Company complies Labor Standard Act and other relevant regulations in establishing various salary and welfare measures, providing competitive benefits that can motivate Employees. Further, regular performance appraisals and</p>	<p>No material deviation.</p> <p>No material deviation.</p>

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
benefits), reasonably reflecting the operating results in employee salary?			disbursement of performance bonus are made to share the operating results of the Company with the Employees.	
(3) Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	V		(3) The Company has implemented an environmental safety and health systems and established emergency response system as part of its commitment in creating a safe and healthy environment, and is committed to constant improvement and creation of an environment that is safe, hygienic and untroubled. Every year, the Company shall organize regular safety and health related talks to meet the sustainable development target.	No material deviation.
(4) Has the company implemented an effective training program that helps Employees develop skills over the course of their career?	V		(4) The career planning of employees, as well as training and education of employees, is important to the Company. As such, the Company encourages its employees to participate in various training programs, including both internal and external ones. The internal training programs focus on the exchange of technical know-how, increasing the capability of employees and the management skills of the supervising team; for the external training programs, it would depend on the need of the Company. Employees are sent for programs in which the Company provides good opportunities for special training to the Employees.	No material deviation.
(5) Pertaining to the health and safety of customer when using the Company's products and services, consumer privacy, marketing and labeling, does the Company comply with the relevant regulations and international standards, and establish relevant policies on consumer protection and complaint procedure?	V		(5) In accordance with consumer protection regulations of various countries, manufacturing and sales parties share the responsibility toward the consumers. Conforming to the environmental protection regulations of the EU and international standards (EU RoHS, EAC/SVHC, EICC et cetera). Maintaining a good communication channel with customers, providing clear and effective customer complaint procedure pertaining to products and services.	No material deviation.
(6) Has the Company established policy on	V		(6) In accordance with the policy, the Company requires all suppliers to fill in a	No material deviation.

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
supplier management, demanding suppliers to observe code of conduct pertaining to environmental protection, labor safety and health or labor rights, and monitoring their implementation?			“Supplier Evaluation Form” and produce the relevant ISO certification documents; the evaluation includes quality, environment, engineering technologies, going green. Meanwhile when conducting the survey on CSR undertaken by suppliers, the Company requires suppliers to observe “Code of Conduct for Suppliers.”In addition to quality, on-time delivery and pricing, they must conform to the rules and regulations prescribed by the law on quality, environmental protection, safety and health before they can become qualified suppliers of the Company. For management and counseling, the Company provides an interactive management for exchange of information with customers to obtain the latest and most accurate source of information; for the auditing aspect, improvement reports are issued for those who fail to meet the requirements. Upon re-examination, those who still fail shall be removed as a supplier.	
5. Does the Company refer to universal standard or guideline for report preparation when preparing for CSR Report and other non-financial disclosure reports? Does the Company obtain the confirmation or affirmation opinion from third party for the aforementioned reports?	V		The Company has referred to the universal standard or guideline for report preparation in preparing for CSR Report. In addition, the Company has already engaged a third party to certificate the CSR report to obtain a assurance statement. Please see the Company website for the content of the report.	No material deviation.
6. If the Company has established integrity management principles in accordance with “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies”, please describe the current practices and any deviations from the Best Practice Principles: The Company has prepared the CSR Report and disclosed it on the Company website and established “CSR Principles” as the governing guideline, incorporating CSR into the overall operating development of the Company and the collective companies of the Group and promoting various CSR activities.				
7. Other information relevant to understanding the Company’s business integrity: (1) Going green and environmental protection: To avoid damaging the ecosystem, the R&D team of the Company focuses on the eco-design of products and has introduced a lead-free manufacturing process successfully and at the same time, meeting the international environmental protection requirements of removing lead, cadmium, mercury, hexavalent chromium and other hazardous chemicals, implementing Eco-design in 2017, and obtaining ISO 14006 certification for incorporating eco-design in 2018. (2) In 2005, the Company obtained both ISO 14001 certification on environmental management systems and				

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>OHSAS 18001 certification on occupational health and safety management system. The Company also obtained the Taiwan Occupational Safety and Health Management System certification in 2009. The certification was issued by the Health Promotion Administration of Ministry of Health and Welfare under the Executive Yuan. Furthermore, the Company successfully transferred OHSAS 18001 to ISO 45001 management system in 2020.</p> <p>(3) Production Centers of Mainland China obtained Social Accountability 8000 (SA8000) in 2013, showing the performance and commitment in CSR by the Company, increasing the loyalty and sense of belonging of the Employees, and establishing a positive corporate image.</p> <p>(4) The Company has established energy conservation, carbon reduction, reduction of greenhouse gas emission and water use, and other waste treatment management policies: Including a Carbon Disclosure Project (CDP) which is mainly to strengthen the ability of the Company in responding to climate change, such as inspection on carbon emission, checking the result of carbon reduction and establishing regulations on evaluation and physical risks, and further transitioning various risks into opportunities for green circular economy, to increase the sustainable development; for energy management, every factory area tracks the KPI management every month, in which depending on how well the KPIs are met, improvement measures and planning will be proposed; for water resource management, due to the high water use of the Company, which mainly comprises of employee daily water use, many facilities and infrastructure have to be inspected and improved, and awareness for good lifestyle habits is promoted; for waste management, the canteens at the headquarters and factories do not use single-use utensils, while paper use in the verification system of the production is reduced, thus decreasing waste due to human error. The employees at the factory areas have been trained professionally and rigorously in safety, health and environmental protection, and thus no major pollution incident has occurred over the years.</p> <p>(5) Circular economy: to help promote the design thinking of circular economy, the Company instills the concept into its products and in turn constructs a multiple cycles circular economic model in product recycling and re-use. In 2021, the Company passed the certification of SGS and obtained optimum level on business model.</p> <p>(6) For the community participation, contribution, service and welfare, consumer rights, human rights and other activities related to corporate social responsibility, the Company voluntarily takes part in many social welfare activities every year. Via the planning and execution initiated by “CSR Committee”, the Company makes contribution to the community through numerous activities, to meet its corporate social responsibility. The activities in 2020 are as follows: Charity activities, donations and sponsorships:</p> <ul style="list-style-type: none"> ● Taiping Elementary School: Subsidizing after-school care project, Development equipment for One School, One Art and One Sport courses and other expenses. ● Nan He Elementary School: after-school tuition care program ● Huashan Social Welfare Foundation: Donation for New Year meals and provision of gift boxes for Dragon Boat and Mid-Autumn Festivals. ● Holding visually impaired massage charity. ● Children Are Us Foundation: Purchasing cakes for Mother’s Day and Mid-Autumn Festival, and donating the cakes to underprivileged children. sponsoring diversified workplace open house activities and beautiful life activities for the Children Are Us Foundation, raising stimulus voucher donations and expenses for daycare centers. ● World Peace Organization: donating to dreamer projects and cultural activities of underprivileged children, sponsoring charity concerts and New Year for Hungry Children Project, employee fundraising. ● Hsinchu Building Hearts for Home: Donating for summer study activities for children. Sponsoring materials expenses for beautiful life courses, raising stimulus voucher donations. ● Eden Social Welfare Foundation: Charity project for developmental delay children. 	

Assessment criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<ul style="list-style-type: none"> ● World Vision Taiwan: Sponsoring domestic children. 30 Hour Famine, inviting to organize charity concert at the Company. ● HCI organization: Participating in Dreamers Project. Shakeng Elementary School holding A World in a Grain of Sand Photography Exhibition at the Company. ● Taiwan People’s Food Bank Association: Gifting the food offerings from first business day of the year and Ghost Festival’s praying rituals. ● Ai-Heng Training Center for Mental Retardation: Green charity flea market, sponsoring the In the Name of Love Fundraising Dinner. ● Hsinchu Fund for Children and Families: summer camps for underprivileged children, 2020 Warm Winter Fair fundraising for children, group program for high schooler career planning. ● Spinal Cord Injury Foundation: Donating to the building of modules for medical surveys. ● R.O.C Resource Matching Association: sponsoring Love Family Puzzle charity program and fundraising concerts for underprivileged families ● Huichu Organization: Sponsoring charity flea market activities, the fund was donated to Mental Health Foundation. ● Hua-Guang Intellectual Development Center: Commissioning the Sediq people for rice planting, and donating the rice to Hua-Guang Intellectual Development Center. ● Kuen Tai Cultural and Education Foundation: Donating to dreamer project of Chiayi Rural Elementary School. ● Andrew Charity Association: Donating to the food bank project for underprivileged children, employee fundraising. ● Making group purchase from charity organizations: Including Mother’s Day cakes from Social Welfare Foundation, handmade soaps from Hsinchu Sheltered Workshop, mooncakes from Social Welfare Foundation and pomelos from Tribal Kitchen. ● Providing summer jobs for children from the Taiwan Fund for Children and Families and World Vision Taiwan. ● The list above details the donation from the Company and its Employees. The donation amounted to NT\$2,292,379, where 833 people participated and 2,315 people benefited. 	

(6) Implementation of integrity management, deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
<p>1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures</p> <p>(1) Does the Company establish corporate conduct and ethics policy that is approved by the Board of Directors and document such policy and procedure, as well as ensuring the commitment of the Board and Management team in the implementation of the policy thereof, in the bylaws and publicly available documents?</p> <p>(2) Has the Company established a risk assessment mechanism for unethical conduct, analyzed and evaluated activities that contain a higher risk of unethical conduct in the operating aspect on a regular basis, and established measures for the prevention of unethical conduct, which at least covering the business activities prescribed in the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” article 7 paragraph 2?</p> <p>(3) Does the Company establish relevant policies which are duly enforced to prevent unethical conduct, provide and implement operating procedures, behavioral guidelines, penalty for violation and appeal system in such policies, as well as evaluating and amending the aforementioned policies on a regular basis?</p>	V		<p>(1) In accordance with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, as approved by the Board of Directors, the Company has established and conformed to the “Ethical Corporate Management Best Practice Principles” and “Business Integrity Procedures and Behaviors” Further, the Directors have signed a declaration at their appointment to commit to the conformity of these regulations.</p> <p>(2) The Company has established the “Code of Conduct for Employees”, “Ethical Corporate Management Best Practice Principles” and “Business Integrity Procedures and Behaviors” to govern the whistle-blowing and punishment for unethical conducts. Via various internal control mechanisms, the Company examines the status of compliance on a regular basis.</p> <p>(3) The “Ethical Corporate Management Best Practice Principles” specifically provides for: prohibition of giving and taking a bribe, prohibition of illegal political donation, prohibition of illegal philanthropic donation or sponsorship, prohibition of unreasonable gifting, reception or other illegal interests, prohibition of violating intellectual properties, prohibition of unfair competition, prevention of products or services damaging the interests of Stakeholders. Further, the behavioral</p>	<p>No material deviation.</p> <p>No material deviation.</p> <p>No material deviation.</p>

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			guidelines, penalty for violation and complaint system are properly implemented. In addition to strengthening awareness training for new Employees the Company shall implement in the daily routine and review on a regular basis, the Company assesses the need to make timely amendments.	
<p>2. Implementation of integrity management</p> <p>(1) Does the Company evaluate the integrity of all counterparties It has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?</p> <p>(2) Does the Company task a specific unit that reports directly to the Board of Directors and with promoting ethical standards, making periodical updates (at least once a year) to the Board on business integrity management policy, as well as the supervision of measures for prevention of unethical conduct?</p> <p>(3) Does the Company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?</p> <p>(4) Has the Company implemented effective accounting and internal control systems for the purpose of</p>	V	V	<p>(1) The Company insists on integrity management. Business contracts consist of provisions that prohibit non-ethical principle.</p> <p>(2) The business integrity management policy of the Company is established collaboratively by relevant competent units, and supervised by Internal Audit Division, and report to the Board of Directors once a year.</p> <p>(3) The “Business Ethical Policy” established has stipulated the recusal policy in event of a conflict of interest. When the personal interest of employee presented in any form or extended to family members and friends, may conflict with the Company’s overall interest, according to the requirement of the policy, the employee has to submit a report, disclosing in detail any circumstances that may cause any conflicts of interest and making immediate an report to the supervisors of different ranking.</p> <p>(4) To ensure the implementation of business integrity management, the Company has elected three</p>	<p>No material deviation.</p> <p>Depending on future needs, the Company shall establish specific unit to oversee business integrity management that is under the purview of the Board of Directors when necessary.</p> <p>No material deviation.</p> <p>No material deviation.</p>

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
maintaining business integrity? Are these systems reviewed by internal or external auditors on a regular basis?			Independent Directors in the Board of Directors, formed Remuneration and Audit Committees, established comprehensive and effective internal control system, relevant procedures and accounting system. The Company executes and timely assesses the implementation in accordance with these policies, so as to ensure the constant effectiveness of the design and implementation of the systems. On a yearly basis, which is also included in the yearly audit plan, the Company conducts self-assessment, where the internal audit unit inspect the self-assessment reports of all other units and subsidiaries, which include control of environment, risk assessment, control of operation, information and communication, and supervision. Together with the findings of internal control infractions or discrepancies to be improved on that have been uncovered, in evaluating the effectiveness of the overall internal control system and producing the Statement of the Internal Control System by the Board of Directors and CEO.	
(5) Does the Company conduct internal and external ethical training programs on a regular basis?	V		(5) In addition to disclosing “Ethical Corporate Management Best Practice Principles” on the Company website, awareness workshop is also conducted for new employees. In 2020, the internal and external educational training related to ethical corporate management (including courses on the compliance of ethical corporate management, accounting system and internal control and et cetera) enrolled 4 persons, totaling 30 hours of training.	No material deviation.

Assessment criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
<p>3. Implementation of whistle-blowing system</p> <p>(1) Does the Company provide incentives and means for employees to report malpractice? Does the Company dedicate personnel to investigate the reported malpractice?</p> <p>(2) Has the Company implemented any standard procedures or confidentiality measures for handling reported malpractices?</p> <p>(3) Does the Company assure malpractice reporters that they will not be mistreated for making such reports?</p>	V		<p>(1) The Company has installed mailboxes to receive malpractice reports from within or outside the Company and has established the relevant penalization in which the appropriate department and personnel shall handle. The Company had not received any whistle-blowing report in 2020.</p> <p>(2) The complaint and whistle-blowing procedures are regulated by statutes of the law. Meanwhile, the identity of the whistle-blower shall be kept confidential. Appropriate protection measures shall be implemented to ensure the confidentiality and privacy of the whistle-blower.</p> <p>(3) As such, the Company shall adopt confidentiality measure in accordance with the law. The Company handles complaint and whistle-blowing cases with a confidentiality principle and in a quick, fair and objective manner. If the whistle-blower is an employee, the Company guarantees that the employee will not be mistreated for filing a complaint or informing on a malpractice.</p>	<p>No material deviation.</p> <p>No material deviation.</p> <p>No material deviation.</p>
<p>4. Enhanced information disclosure</p> <p>Has the company disclosed relevant CSR principles and implementation on its website and Market Observation Post System?</p>	V		<p>The Company has established a website, www.arcadyan.com, to disclose matters on corporate governance.</p> <p>The Company has established a specific unit to oversee the financial disclosure made at Market Observation Post System, and appointed a spokesperson for external communication.</p>	No material deviation.
<p>5. If the Company has established business integrity policies in accordance with “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies”, please describe its current practices and any deviations from the Best Practice Principles: The Company has established “Business Integrity Principles” and Business Integrity Procedures and Behaviors. The execution and the principles established have no material deviation.</p>				
<p>6. Other information relevant to understanding the Company’s business integrity (e.g. reviews over business integrity principles and other circumstances): The Company has publicly disclosed “Business Integrity Principles” and “Business Integrity Procedures and Behaviors”. The Company has also established a section pertaining to the implementation of integrity management and the handling of unethical conduct for the employees’ information.</p>				

(7) Corporate Governance Guidelines and Regulations

The Company website is www.arcadyan.com, providing information on corporate governance guidelines and regulations for investors:

- Articles of Incorporation
- Rules of Procedure for Shareholders' Meetings
- Rules and Procedures for Board of Directors Meetings
- Procedures for the Election of Directors
- Procedures of Performance Evaluation of the Board of Directors and Functional Committees
- Procedures for Acquisition or Disposal of Assets
- Procedures for Endorsements and Guarantees
- Procedures for Loaning of Funds to Other Parties
- Audit Committee Charter
- Remuneration Committee Charter
- Corporate Governance Best Practice Principles
- Corporate Social Responsibility Best Practice Principles
- Codes of Conduct for Directors and Managers
- Ethical Corporate Management Best Practice Principles
- Procedures for Ethical Management and Guidelines for Conduct
- Insider Trading Prevention Procedures
- Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises
- Procedures of Application to Suspend and Resume Trading

(8) Other Important Information Regarding Corporate Governance

1. The information on the Company website, www.arcadyan.com is collected and maintained by specific personnel, making and renewing disclosure on a regular basis, providing investors information on the financial and business aspects, and the institutional investor conferences.
2. To establish the management of insider trading prevention to avoid inappropriate leaking of material internal information and ensure the consistency and accuracy of information communicated to the public, the Company has established "Insider Trading Prevention Management" in the internal control system. Via the Company website, contracts and training, the Company conduct relevant awareness programs and inform the directors, managers and all employees of the regulations to conform to.

(9) Internal Control Systems

1. Internal Control Statement

Arcadyan Technology Corporation.
Statement of the Internal Control System

Date: March 17, 2021

The Company states the following with regard to its internal control system during fiscal year 2020, based on the findings of a self-assessment:

- I. The Company acknowledges that the establishment, implementation and maintenance of internal control system are the responsibilities of the Board of Directors and Managers of the Company. As such, the Company has established the aforementioned system. Its objectives are to provide reasonable assurance for effectiveness and efficiency of its operations (including profitability, performance and guarantee of assets safety etc.), reporting that is reliable, timely and transparent and conformity to applicable rules, regulations and laws.
- II. The internal control system has its inherent limitations. Regardless of how exhaustive the design is, an effective internal control system can only provide reasonable assurance for the achievement of the aforementioned three objectives. Further, due to changes in the environment or circumstances, the effectiveness of the internal control system may vary accordingly. Nevertheless, the Company's internal control system has set up a self-supervision mechanism. Once a deficiency has been identified, the Company will take the remedial actions immediately.
- III. In accordance with the determining criteria for the effectiveness of the internal control system prescribed in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereafter "the Regulations"), the Company evaluated the effectiveness of the design and execution for its internal control system. The determining criteria of the internal control system prescribed in the "Regulations" are based on the process of management control, dividing the internal control system into five composite factors: 1. control of environment, 2. risk evaluation, 3. control of operations, 4. information and communication, and 5. supervision. The composition of each element also includes several items. Please refer to the "Regulations" for the aforesaid items.
- IV. The Company has adopted the aforementioned determining criteria of the internal control system to evaluate the effectiveness of design and execution for its own internal control system.
- V. Based on the evaluation result of the preceding paragraph, the Company believes that its internal control system (including the supervision and management of its subsidiaries) as of December 31, 2020, including understanding the achievement for the objectives of effectiveness and efficiency of its operations, reliability, timeliness and transparency of its reporting and compliance with the applicable regulations and laws, was effective in design and execution, and can be reasonably assured of the achievement of the aforementioned objectives.
- VI. This statement will serve as the main content of the Company's annual report and prospectus, and will be publicly announced. If the aforesaid public content has any illegal events including falseness or concealment etc., it shall to be liable to the legal liabilities stipulated in Article 20, 32, 171 and 174 of the Securities and Exchange Act.
- VII. This Statement has been passed by the Board of Directors Meeting of the Company held on March 17, 2021, where 0 of the 9 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Arcadyan Technology Corporation

Chairman: Chen Jui-Tsung

President: Tseng Chao-Peng

2. Engaging an independent auditor to audit the Company's internal control system, the auditors' report should be disclosed: None.

(10) Penalties imposed against the Company and its staff, or penalties imposed by the company against its staff for violations of internal control or regulations. State any corrective actions taken in the most recent year up to the publication date of this annual report: None.

(11) For the most recent year up to the publication date of this annual report, major resolutions made in Shareholders' and Board meetings

1. Shareholders' meeting

■ Time : 9.00 a.m., June 18, 2020

Venue: 1F of the Company, No. 8, Section 2, Guangfu Road, Hsinchu City

■ Major Resolutions:

- (1) Election of the 8th Board of Directors.
- (2) Ratification of business report and financial statements for 2019.
- (3) Ratified the distribution of earnings for 2019.
- (4) Approval of the release of non-competition restrictions for newly-appointed Directors.

■ Post-meeting Execution:

- (1) Proposal for the election of the 8th Board of Directors: Obtained approval from MOEA on July 10, 2020 and disclosed on the Company website.
- (2) Release of non-competition restrictions for Directors: Announced on the Market Observation Post System on June 18, 2020.

2. Board of Directors

Date	Major Resolutions
March 17, 2020	<ol style="list-style-type: none"> 1. Approval for the appropriation of the remuneration to Directors and compensation to employees for 2019. 2. Approval for the appropriation ratio of the remuneration to Directors and compensation to Employees for 2020. 3. Approval for the financial reports for 2019. 4. Approval for Internal Control System Statement for 2019. 5. Approval for cancellation of employee restricted shares that does not meet vesting conditions. 6. Approval for the distribution of earnings for 2019. 7. Approval for the disbursement of cash dividend for 2019.

Date	Major Resolutions
	<ol style="list-style-type: none"> 8. Approval for the cash distribution from capital surplus. 9. Approval for convening the Annual General Shareholders' Meeting for 2020. 10. Approval for the election proposal for the 8th term of the Board of Directors. 11. Approval for the change of auditing CPAs. 12. Approval for loaning fund to subsidiary, Arcadyan Technology (Vietnam) Co., Ltd. 13. Approval for the amendment of "Rules and Procedures for Board of Directors Meeting," "Audit Committee Charter" and "Remuneration Committee Charter." 14. Approval for application for the renewal of credit limit with the banks.
May 6, 2020	<ol style="list-style-type: none"> 1. Approval for the nomination qualification of Directors and Independent Directors of the 8th Board of Directors. 2. Approval for the release of non-competition restrictions for the 8th term of Directors and Independent Directors. 3. Approval for the release of non-competition restrictions for the managers. 4. Approval for business reports for 2019. 5. Approval for business plan for 2020. 6. Approval for cancellation of employee restricted shares that does not meet vesting conditions. 7. Approval for adjustment of salary for 2020. 8. Approval for disbursement of Dragon Boat and Mid-Autumn Festivals bonuses for 2020. 9. Approval for the "Procedures of Performance Evaluation of the Board of Directors and Functional Committees." 10. Approval for the amendment of the "Corporate Governance Best-Practice Procedures," "CSR Committee Procedure" and "Business Integrity Procedures and Behaviors." 11. Approval for application for the renewal of credit limit with the banks. 12. Resolution passed for venue of the Annual General shareholders' meeting and other related matters.
June 18, 2020	<ol style="list-style-type: none"> 1. Election of Chairman. 2. Resolution passed for the appointment of Remuneration Committee members. 3. Resolution passed for the appointment of the Company President. 4. Resolution passed for the appointment of Chief Accounting

Date	Major Resolutions
	<p>Officer.</p> <ol style="list-style-type: none"> 5. Resolution passed for the appointment of Chief Internal Audit Officer. 6. Approval for the cash dividends and cash distribution from capital surplus for 2019. 7. Approval for loaning fund to subsidiary, Arcadyan Technology Corporation (Russia), LLC.
August 5, 2020	<ol style="list-style-type: none"> 1. Approval for the disbursement of Employee compensation for 2019. 2. Approval for the disbursement of remuneration of Directors for 2019. 3. Resolution passed for the change of appropriation of Director remuneration for 2020. 4. Resolution passed for loaning fund to subsidiary, Arcadyan Technology Limited. 5. Resolution passed for loaning fund to subsidiary, Arcadyan do Brasil Ltda. 6. Approval for cancellation of employee restricted shares that does not meet vesting conditions. 7. Approval for application for the renewal of credit limit with the banks.
November 11, 2020	<ol style="list-style-type: none"> 1. Approval for the Internal audit plan for 2021. ° 2. Approval for the assessment of the independence and competence of the CPAs. 3. Approval for the disbursement of year-end bonus for 2020. 4. Approval for the amendment of the “Corporate Governance Best Practice Procedures”. 5. Approval for cancellation of employee restricted shares that does not meet vesting conditions. 6. Approval for application for the renewal of credit limit with the banks. 7. Approval for establishing a subsidiary in India.
March 17, 2021	<ol style="list-style-type: none"> 1. Approval for the appropriation of the remuneration to Directors and compensation to employees for 2020. 2. Approval for the appropriation ratio of the remuneration to Directors and compensation to Employees for 2021. 3. Approval for the financial reports for 2020. 4. Approval for business reports for 2020. 5. Approval for business plan for 2021. 6. Approval for Internal Control System Statement for 2020.

Date	Major Resolutions
	<ol style="list-style-type: none"> 7. Approval for cancellation of employee restricted shares that does not meet vesting conditions. 8. Approval for the disbursement of cash dividend for 2020. 9. Approval for the cash distribution from capital surplus. 10. Approval for the earnings distribution for 2020. 11. Approval for the cash dividend and cash distribution from capital surplus. 12. Approval for convening the Annual General Shareholders' Meeting for 2021. 13. Approval for loaning fund to subsidiary, Arcadyan Technology (Vietnam) Co., Ltd. 14. Approval for application for the renewal of credit limit with the banks. 15. Approval for land purchase.
May 6, 2021	<ol style="list-style-type: none"> 1. Approval for set the record date of capital increase for the conversion of the first domestic unsecured convertible corporate bonds to common shares. 2. Approval for adjustment of salary for 2021. 3. Approval for disbursement of Dragon Boat and Mid-Autumn Festivals bonuses for 2021. 4. Approval for the amendment to the "Procedures for Acquisition or Disposal of Assets." 5. Approval for the release of non-competition restrictions for Directors. 6. Approval for application for the new addition and renewal of credit limit with the banks. 7. Approval for the issuance of letter of Parent Company guarantee for subsidiary, Arcadyan Technology Australia Pty. Ltd.

(12) For the Most Recent Year up to the Publication Date of this Annual Report, major issues of record or written statements made by any Director or Supervisor dissenting to important resolutions passed by the Board of Directors: None.

(13) For the Most Recent Year up to the Publication Date of this Annual Report, resignation or dismissal of the Company's key individuals, including the Chairman, President, and Heads of Accounting, Finance, Internal Audit, and R&D: None.

5. Information Regarding the Company's Audit Fee and Independence

(1) Audit Fees

Unit: NT\$ thousand

Accounting Firm	Name of CPA	Audit fee	Non-audit fee					Subtotal	Period covered by CPA's audit	Remark
			System design	Company registration	Human resource	Others (Note)				
KPMG	Chien Szu-Chuan	5,599	0	788	0	570	1,358	January 1 to December 31, 2020		
	Yen Hsin-Fu									

Note: Others include transfer pricing report of NT\$300 thousand and tax consultation of NT\$270 thousand.

- (2) For non-audit fees paid to CPAs, accounting firms, and affiliated companies thereof that amount to more than 1/4 of the audit fees, disclosure should be made regarding the amount of audit and non-audit fees, and the service content of audit and non-audit fees: Please refer to the description with the table above.
- (3) Changes in the accounting firm that result in lesser audit fees paid in comparison to the previous year, and disclosure for the change in audit fee, and the reason for the change: None.
- (4) Reduction of audit fees by more than 10% compared to the previous year, and disclosure for the amount and percentage reduced, and the reason for the reduction: None.

6. Replacement of CPA:

(1) Regarding the former CPA

Date of change of appointment	Resolution passed by the Board of Directors on March 17, 2020.		
Causes and description for the change of appointment	Due to internal adjustment in KPMG, the independent auditors of the Company have changed from Kuo Kuan-Ying and Yen Hsing-Fu to Chien Szu-Chuan and Yen Hsing-Fu.		
Description regarding termination or rejection of appointment by the Company or the independent auditors	Party involved		Independent auditors
	Termination by the Company		Not applicable.
	Rejection of appointment (or re-appointment)		Not applicable.
For the most recent two years, the causes for audit opinion other than unqualified audit opinion	None.		
Opinion differing from the issuer	Yes		Accounting principles or practice
			Disclosure of financial statements
			Audit scope or procedure
			Others
	None.	V	
Explanatory note			
Other Disclosures	None.		

(2) Regarding the successor CPA

Accounting Firm	KPMG
Name of independent auditors	Chien Szu-Chuan and Yen Hsing-Fu.
Date of appointment	Resolution passed by the Board of Directors on March 17, 2020.
Prior to the formal engagement, any inquiry or consultation on the accounting treatment or accounting principles for specific transactions and the type of audit opinion that might be rendered on the financial report	None.
Written opinion from succeeding CPA on items of disagreement with the former CPA	None.

(3) Reply from former independent auditors in pursuant of Article 10, Paragraph 6, Sub-paragraph 1, 2-3: None.

7. If the Chairman, President, and Financial or Accounting Manager of the Company Had Worked for the Accounting firm or Related Parties thereof in the Most Recent Year: None.

8. Change in Shareholding of Directors, Supervisors, Managers and Major Shareholders in the Most Recent Year up to the Publication Date of this Annual Report.

(1) Changes in shareholding of Directors, Supervisors, Managers and major Shareholders

Position	Name	2020		As of April 18, 2021	
		Increase (decrease) in Shares Held	Increase (decrease) in Shares Pledged	Increase (decrease) in Shares Held	Increase (decrease) in Shares Pledged
Director/Major Shareholder	Compal Electronics Inc.				
Director/Major Shareholder	Compal Electronics Inc. Representative: Chen Jui-Tsung				
Director/Major Shareholder	Compal Electronics Inc. Representative: Wong Chung-Pin	0	0	0	0
Director/Major Shareholder	Compal Electronics Inc. Representative: Peng Sheng-Hua				
Director/Major Shareholder	Compal Electronics Inc. Representative: Liu Chung-Pao				
Director cum CEO	Tseng Chao-Peng	175,000 (44,000)	0	0	0
Director	Wei Je-He	0	0	0	0
Independent Director	Lee Ying-Jen	0	0	0	0
Independent Director	Wen Ching-Jang	0	0	0	0
Independent Director	Yang Wen-An	0	0	0	0

Position	Name	2020		As of April 18, 2021	
		Increase (decrease) in Shares Held	Increase (decrease) in Shares Pledged	Increase (decrease) in Shares Held	Increase (decrease) in Shares Pledged
Executive Vice President	Lu Fong-Yu	131,500 (10,000)	0	0	0
Senior Vice President	Chen Chien-Lin	91,000 (8,000)	0	(8,000)	0
Vice President	Liu Chung-Pao	84,500 (67,000)	0	0	0
Vice President	Hsiung Nien-Che	84,500	0	0	0
Vice President	Lee Chih-Fang	91,000	0	0	0
Vice President	Kuo Shin-Lung	84,500 (22,000)	0	(27,444)	0
Chief Accounting Officer	Huang Shih-Wei	24,000	0	0	0
Head of Auditing	Peng Yi-Ling	0	0	0	0

(2) Shares transferred to or pledged with related parties

1. Share transferred to related parties:

Name	Reason for the transfer of equity interest	Trade date	Transacted party	Relation of transacted party with the Company, directors, supervisors, managers and shareholders with a 10% stake or more	Number of Shares	Transaction price
Tseng Chao-Peng	Gift	December 16, 2020	Lin Hsiu-Hsin	Spouses	22,000	96.00
Tseng Chao-Peng	Gift	December 16, 2020	Tseng Yun-Ning	Father and daughter	22,000	96.00

2. Shares pledged with related parties: None.

9. Relationship among the Top Ten Shareholders

April 18, 2021

Unit: Share

Name	Shares held by oneself		Current Shares Held by Spouse, Minor Child(ren)		Total shares held in the names of others shares held		Spouse, relative of second degree or closer, and relationships among top 10 shareholders		Remark
	Number of Shares	Percentage of Shareholding	Number of Shares	Percentage of Shareholding	Number of Shares	Percentage of Shareholding	Name	Relationship	
Compal Electronics Inc. Representative: Hsu Sheng-Hsiung	41,304,504	19.82%	0	0%	0	0%	Hong Ji Capital Co., Ltd., Gempal Technology Corp., Panpal Technology Corp., Hong Jin Investment Co., Ltd.	Subsidiaries of the Company: Hong Ji Capital Co., Ltd., Gempal Technology Corp., Panpal Technology Corp., Hong Jin Investment Co., Ltd.	
Hong Ji Capital Co., Ltd. Representative: Hsu Sheng-Hsiung	9,278,643	4.45%	0	0%	0	0%	Compal Electronics Inc.	Parent company of the Company	
Gempal Technology Corp. Representative: Hsu Sheng-Hsiung	9,278,643	4.45%	0	0%	0	0%	Compal Electronics Inc.	Parent company of the Company	
Panpal Technology Corp. Representative: Hsu Sheng-Hsiung	8,191,724	3.93%	0	0%	0	0%	Compal Electronics Inc.	Parent company of the Company	
New Labor Pension Fund	5,219,953	2.50%	0	0%	0	0%	None	None	
Hong Jin Investment Co., Ltd. Representative: Hsu Sheng-Hsiung	4,609,160	2.21%	0	0%	0	0%	Compal Electronics Inc.	Parent company of the Company	
JP Morgan Chase Bank N.A., Taipei Branch in custody for JP Morgan Securities Limited Investment Account	2,930,854	1.41%	0	0%	0	0%	None	None	
Yuanta Life Insurance Company Representative: Chao-Kuo Chiang	2,598,000	1.25%	0	0%	0	0%	None	None	
HSBC Bank (Taiwan) Limited in custody for Morgan Standley International Limited Investment Account	2,390,688	1.15%	0	0%	0	0%	None	None	
JP Morgan in custody for Vanguard Total International Stock Index Fund, a serious of Vanguard Star Funds	2,377,082	1.14%	0	0%	0	0%	None	None	

10. Comprehensive Shareholding Information Relating to Company, Directors, Supervisors, Management and Companies Affiliated through Direct and Indirect Investment

December 31, 2020

Unit: Share; %

Investees	Invested by the Company		Held by Directors, Supervisors, Managers, and directly/indirectly controlled entities		Aggregated investment	
	Number of Shares	Percentage of Shareholding	Number of Shares	Percentage of Shareholding	Number of Shares	Percentage of Shareholding
Arcadyan Holding (BVI) Corp.	69,780,148	100%	0	0%	69,780,148	100%
Arcadyan Technology N.A. Corp.	1,000	100%	0	0%	1,000	100%
Arcadyan Germany Technology GmbH	500	100%	0	0%	500	100%
Arcadyan Technology Corporation Korea	20,000	100%	0	0%	20,000	100%
Arcadyan do Brasil Ltda.	964,510	99%	3,722	1%	968,232	100%
Arcadyan Technology Limited	50,000	100%	0	0%	50,000	100%
Arcadyan Technology Australia Pty Ltd	50,000	100%	0	0%	50,000	100%
Arcadyan Technology Corporation (Russia), LLC	0	100%	0	0%	0	100%
Zhi-Bao Technology Inc.	34,980,000	100%	0	0%	34,980,000	100%
Tatung Technology Inc.	25,027,910	61%	670,770	2%	25,698,680	63%
AcBel Telecom Inc.	4,494,111	51%	0	0%	4,494,111	51%
Sinoprime Global Inc. (BVI)	0	0%	19,050,000	100%	19,050,000	100%
Arcadyan Technology (Vietnam) Co., Ltd.	0	0%	0	100%	0	100%
Arcadyan Technology (Shanghai) Corp.	0	0%	0	100%	0	100%
Arch Holding (BVI) Corp.	0	0%	34,900	100%	34,900	100%
Compal Networking (Kunshan) Co., Ltd.	0	0%	0	100%	0	100%
Tatung Technology of Japan Co., Ltd.	0	0%	700	100%	700	100%
Quest International Group Co., Ltd.	0	0%	1,200,000	100%	1,200,000	100%
Exquisite Electronic Co., Ltd.	0	0%	1,170,000	100%	1,170,000	100%
Tatung Home Appliances (Wujiang) Co., Ltd.	0	0%	0	100%	0	100%
Leading Images Limited (Note 1)	0	0%	50,000	100%	50,000	100%
Astoria Networks GmbH (Note 2)	0	0%	25,000	100%	25,000	100%
Compal Broadband Networks, Inc.	533,217	1%	42,199,813	63%	42,733,030	64%

Note 1: Liquidation procedures were completed on December 7, 2020.

Note 2: Liquidation procedures were completed on October 14, 2020.

IV. Fund Raising

1. Capital and Shares

(1) Source of capital

Unit: thousand shares; NT\$ thousand; April 18, 2021

Year	Month	Issue price	Authorized capital (note)		Paid-up capital		Remark		
			Number of Shares	Amount	Number of Shares	Amount	Source of capital	Paid in properties other than cash	Others
2019	4	10	200,000	2,000,000	193,577	1,935,771	Cancellation of employee restricted shares of NT\$420 thousand.	None.	Approved by MOEA on April 8, 2019 in document number 10801038100.
2019	5	10	200,000	2,000,000	193,555	1,935,551	Cancellation of employee restricted shares of NT\$220 thousand.	None.	Approved by MOEA on May 29, 2019 in document number 10801060720.
2019	7	10	300,000	3,000,000	208,535	2,085,351	New issuance of cash capital increase of \$150,000 thousand and employee restricted shares of NT\$200 thousand	None.	Approved by SFB, FSC on May 21, 2019 in document number 1080314862. Approved by MOEA on December 10, 2019 in document number 10801172780.
2020	4	10	300,000	3,000,000	208,483	2,084,831	Cancellation of employee restricted shares of NT\$520 thousand.	None.	Approved by MOEA on April 20, 2020 in document number 10901054250.
2020	5	10	300,000	3,000,000	208,478	2,084,781	Cancellation of Restricted Employee Shares of NT\$50 thousand.	None.	Approved by MOEA on May 22, 2020 in document number 10901083860.
2020	9	10	300,000	3,000,000	208,440	2,084,401	Cancellation of Restricted Employee Shares of NT\$380 thousand.	None.	Approved by MOEA on September 17, 2020 in document number 10901160510.
2020	12	10	300,000	3,000,000	208,409	2,084,095	Cancellation of Restricted Employee Shares of NT\$306 thousand.	None.	Approved by MOEA on December 1, 2020 in document number 10901224550.
2021	4	10	300,000	3,000,000	208,377	2,083,766	Cancellation of Restricted Employee Shares of NT\$329 thousand.	None.	Approved by MOEA on April 14, 2021 in document number 11001056120.

Unit; share; April 18, 2021

Share type	Authorized capital			Remark
	Outstanding shares (publicly listed)	Unissued shares	Total	
Registered ordinary shares	208,376,590	91,623,410	300,000,000	Authorized capital includes 40 million shares warrants, preferred shares with warrants, and corporate bonds with warrants in capital.

■ Shelf registration system information: Not applicable.

(2) Shareholder Structure

April 18, 2021; unit: share

Shareholder Structure Analysis	Governmental agencies	Financial institutions	Others legal person(s)	Individuals	Foreign institutions and foreigners	Total
Number of shareholders	0	12	232	22,469	199	22,912
Shares Held	0	8,897,529	87,613,950	73,346,304	38,566,697	208,424,480 (Note)
Percentage of Shareholding	0.00%	4.27%	42.04%	35.19%	18.50%	100.00%

Note: The discrepancy in the total number of shares between shareholder register and change register amounted to 47,890 shares, mainly due to corporate bonds converted common stocks had not completed the procedure of change registration.

(3) Share ownership distribution

April 18, 2021; unit: share

Range of Shareholding	Number of Shareholders	Shares Held	Percentage of Shareholding
1 to 999	7,824	729,880	0.35%
1,000 to 5,000	12,687	22,712,088	10.90%
5,001 to 10,000	1,168	9,096,409	4.36%
10,001 to 15,000	345	4,395,484	2.11%
15,001 to 20,000	238	4,408,734	2.12%
20,001 to 30,000	209	5,332,096	2.56%
30,001 to 50,000	155	6,047,645	2.90%
50,001 to 100,000	132	9,301,853	4.46%
100,001 to 200,000	67	9,787,442	4.70%
200,001 to 400,000	37	10,705,479	5.14%
400,001 to 600,000	14	6,937,470	3.33%
600,001 to 800,000	9	6,533,373	3.13%
800,001 to 1,000,000	4	3,486,430	1.67%
More than 1,000,001	23	108,950,097	52.27%
Total	22,912	208,424,480 (Note)	100.00%

Note: The discrepancy in the total number of shares between shareholder register and change register amounted to 47,890 shares, mainly due to corporate bonds converted common stocks had not completed the procedure of change registration.

(4) List of Major Shareholders

April 18, 2021; unit: share

Name of Major Shareholder	Share	Shares Held	Percentage of Shareholding
Compal Electronics Inc.		41,304,504	19.82%
Hong Ji Capital Co., Ltd.		9,278,643	4.45%
Gempal Technology Corp.		9,278,643	4.45%
Panpal Technology Corp.		8,191,724	3.93%
New Labor Pension Fund		5,219,953	2.50%
Hong Jin Investment Co., Ltd.		4,409,160	2.21%
JP Morgan Chase Bank N.A., Taipei Branch in custody for JP Morgan Securities Limited Investment Account		2,930,854	1.41%
Yuanta Life Insurance Company		2,598,000	1.25%
HSBC Bank (Taiwan) Limited in custody for Morgan Standley International Limited Investment Account		2,390,688	1.15%
JP Morgan in custody for Vanguard Total International Stock Index Fund, a serious of Vanguard Star Funds		2,377,082	1.14%

(5) Market share price, net worth, earnings, dividend and relevant information for the most recent two years

Unit: thousand shares; NT\$

Item	Year		2019	2020	As of March 31, 2021
	Market price per share	Highest		118.00	105.00
Lowest			72.60	55.00	89.60
Average			93.54	87.21	101.68
Net value per share	Prior to distribution		52.29	55.70	51.49
	After distribution		47.59	49.21(註 2)	-
Earnings per share	Weighted average outstanding shares		191,708	204,955	206,106
	Earnings per share		6.85	8.36	2.20
Per-share dividend	Cash dividend (Note 1)		4.7	6.5	-
	Stock dividends	From earnings	0	0	-
		From capital reserves	0	0	-
	Cumulative unpaid dividends		0	0	-
Analysis of investment returns	PE Ratio		13.66	10.43	-
	Price to dividend ratio		19.90	13.42	-
	Dividend Yield		5.02%	7.45%	-

Note 1: The cash distribution from capital surplus for 2019 and 2020 amounted to NT\$0.2 and NT\$1.0 per share respectively.

Note 2: The earnings distribution proposal for 2020 was resolved by the Board of Directors on March 17, 2021 and shall be submitted to the shareholders' meeting in 2021 for ratification.

Note 3: PE Ratio = Average closing price for the period / Earnings per share

Note 4: Price to dividend ratio = Average closing price for the period / Cash dividend per share

Note 5: Dividend Yield = Cash dividend per share / Average closing price for the period

(6) Dividend Policy and Implementation Status

1. Dividend policy as stipulated in the Articles of Incorporation

If the Company make a profit in a fiscal year, after all taxes and dues have been paid and losses have been covered, shall set aside ten percent of profits as a legal reserve (however when the legal reserve amounts to the register capital, this shall not apply,) set aside a special reserve in accordance with relevant laws and regulations, and then an appropriate amount shall be retained by the board of directors as basis for proposing a distribution plan according to the Company's operating status, which should be resolved in accordance with Item 2 of Article 27-1, and Article 26 of the Company's Articles of Incorporation.

The Company's distribution plan follows the principle of stable dividend policy considering factors such as the operating environment, operating performance, and financial structure. If the Company made a profit in the fiscal year, dividends and bonuses shall be no less than thirty percent of net profit after-tax. Cash dividends shall be no less than ten percent of the total dividends distributed to shareholders.

2. Cash dividends appropriation resolved by the Board of Directors

The Company authorizes the board of directors to distribute dividends, bonuses, capital surplus, or legal reserve in whole or in part in the form of cash, after a resolution adopted by a majority vote at a meeting of the board of directors attended by at least two-thirds of the total number of directors, and shall report it to the shareholders' meeting.

On March 17, 2021, the Board of Directors resolved on the earnings distribution for 2020 to disburse cash dividends of NT\$5.49873625 per share. The cash distribution from capital surplus amounted to NT\$0.99977022 per share. Total cash distribution to shareholders amounted to NT\$1,354,447,835.

3. When there is a significant change in the expected dividend policy, it should be stated: None.

- (7) The impact on the operating performance of the Company and earnings per share by the proposal of the Shareholders' Meeting to issue stock dividend:

Not applicable (the Company has not made the financial estimation for 2021 public).

- (8) Employees' Remuneration and Directors' Compensation

1. Employees' remuneration and directors' compensation policies as stipulated in the Articles of Incorporation:

If the Company made a profit in a fiscal year, shall reserve no less than 5% for employee's compensation, and no more than 2% for remuneration of directors from the Company's pre-tax profit prior to the deduction of employee's compensation and director's remuneration.

Employees of the Company's subsidiaries meeting certain specific requirements are entitled to receive the employee's compensation. The qualifications and distribution methods shall be prescribed by the Board of Directors.

2. The estimation basis of the compensation for Employees, Directors and Supervisors for the current period, the computation basis for the number of shares issued as stock dividend serving as Employee compensation, and accounting treatments for any discrepancies between the amounts estimated and the amounts disbursed:

Compensation to directors and Employees, as denoted in the Articles of Incorporation, shall be estimated based on the Company's pre-tax profit prior to the deduction of employee's compensation and directors remuneration, and multiplied by the ratio as denoted in the Article of Incorporation (ratio for compensation to employees shall no less than 5%, and remuneration to directors shall no more than 2%).

For the compensation to employees in the form of common shares, it is computed using the closing price of the ordinary shares one day preceding the Board of Directors' meeting.

If the actual amounts differ from the amounts estimated, the differences are recorded as gains/losses in the subsequent year as a change in accounting estimate. The estimated amount of the compensation to directors and employees in 2020 does not differ from the amount approved by the Board of Directors and submitted to the Shareholders' Meeting in 2021.

3. Employees compensation proposal passed by the Board of Directors:
 - The amount approved by the Board of Directors and submitted to the Shareholders' Meeting in 2021: Appropriation of compensation to employees amounted to NT\$262,879,744 and remuneration to Directors amounted to NT\$16,875,506. The appropriation of compensation to Employees and remuneration to Directors does not differ from the estimated amount recognized in 2020.
 - The disbursement of compensation to Employees is made entirely in cash. As such, the ratios of compensation to employees by way of stock dividend to net income in Stand Alone Financial Statements or individual financial report, and to total compensation to employees are both nil.
 4. Compensation to Employees and remuneration to Directors for the preceding year:
 - For the preceding year, the actual appropriation of compensation to Employees amounted to NT\$156,863,294 and remuneration to Directors amounted to NT\$11,811,798, both did not differ from the amounts approved by the Board.
- (9) Company Buyback of Own Shares: None.

2. Corporate Bonds:

(1) Corporate Bonds

Type of corporate bonds	First domestic unsecured convertible corporate bonds
Issue (Execute) date	June 6, 2019
Face value	NT\$100 thousand
Issuance and trading location	Republic of China; listed in Taipei Exchange
Issue price	Issued at 101% of par value
Total amount	NT\$1,000,000 thousand
Coupon rate	0%
Tenor	Three year, expiry date: June 6, 2022
Credit guarantee institution	None.
Trustee	KGI Bank Co., Ltd
Underwriter	KGI Securities
Legal counsel	Handsome Attorneys-at-Law: Chiu Ya-Wen
CPAs	KPMG Kuo Kuan-Ying, Yen Hsin-Fu
Redemption	Except where the holders of the convertible corporate bond convert it into the Company's common shares in accordance with Article 10 of the regulations governing the issuance of the Company's corporate bonds, or the Company repurchases the convertible corporate bond at the business premises of securities firms and cancel it, the Company shall redeem this corporate bond in cash at its maturity in one go in accordance with the par value of the bond.
Outstanding	NT\$995,800 thousand
Redemption or early repayment clause	None.
Covenants	None.
Credit rating agency, date of rating, rating of corporate bond	Not applicable.
Other rights of Bondholders	The amount of converted (exchanged or subscribed) ordinary shares, global depository receipts or other securities as of the publication date of the annual report
	Conversion right
Dilution effect and other adverse effects on existing Shareholders	As of April 30, 2021, 42 units were converted. As per the first domestic unsecured convertible corporate bonds. According to the current conversion price, if all remaining corporate bonds are converted to common shares, the Company is required to issue additional 12,070,303 shares. The dilution rate to capital stock is amounted to 5.5%. The impact to the shareholders' equity is limited.
Custodian	Not applicable.

(2) Convertible bonds

Type of corporate bonds		First domestic unsecured convertible corporate bonds		
Year		2019	2020	As of April 30, 2021 for the current year
Item				
Market price of convertible bonds	Highest	120.80	122.95	144.00
	Lowest	104.35	100.50	114.00
	Average	110.33	112.03	126.96
Conversion Price		<ul style="list-style-type: none"> •Conversion price between June 6, 2019 and August 9, 2019, was NT\$98.3; •Conversion price between August 10, 2019 and November 14, 2019 was NT\$94.7; •Conversion price between November 15, 2019 and December 31, 2019 was NT\$93.0. 	<ul style="list-style-type: none"> •Conversion price between January 1, 2020 and July 24, 2020 was NT\$93.0; •Conversion price between July 25, 2020 and December 31, 2020 was NT\$87.7. 	<ul style="list-style-type: none"> •Conversion price between January 1, 2021 and April 21, 2021 was NT\$87.7; •Conversion price from April 22, 2021 was NT\$82.5.
Issue (Execute) date and conversion price at issuance		Issue date: June 6, 2019, conversion price at issuance was NT\$98.3.		
Conditions for conversion		Issuance of new shares		

(3) Exchangeable corporate bond: None.

(4) Blanket declaration of issued corporate bonds: None.

(5) Corporate bonds with warrants: None.

3. Preferred Shares: None.

4. Global Depository Receipts: None.

5. Employee Stock Option Plan: None.

6. Employee Restricted Shares Plan:

(1) Employee restricted shares Plan

April 18, 2021

Types of employee restricted shares plans	Employee restricted shares plans for 2018
Effective registration date	July 3, 2018
Issue Date	September 11, 2018
Issued new shares with restricted Employee rights	4,500 thousand shares
Issue price	NT\$0 (issuance of bonus shares)
Percentage of issued new shares with restricted Employee rights to total issued shares	2.16%
Vesting conditions of new shares with restricted Employee rights	<ol style="list-style-type: none"> Vesting Condition A, totaling 3,500 thousand shares: Employees allocated the new shares with restricted Employee rights who are still in service, and have fulfilled the performance requirements of the Company, may obtain the shares according to the following shareholding ratio: In service for two years: 30% In service for three years: 30% In service for four years: 40% Vesting Condition B, totaling 1,000 thousand shares: In pursuant to this regulation, with effect from the declaration date approved by the competent authority, for two full consecutive accounting years (including the year in which the declaration is made), the EPS of the Company is no less than NT\$4.0, and after the Employees allocated the new shares with restricted Employee rights achieving the performance requirement, they are deemed meeting 100% of the vesting conditions after the financial reports of the second accounting year are ratified by the Shareholders' Meeting; if for two consecutive accounting years, the average EPS ranges between NT\$3.0 and NT\$4.0, the vesting ratio is 75%; if for two consecutive accounting years, the average EPS falls below NT\$3.0, the vesting ratio is 0%. The aforementioned EPS is computed by dividing the net profit after tax documented in financial reports ratified by the Shareholders' Meeting with the effective number of outstanding shares declared to the competent authority in accordance with this regulation.
Restriction of new shares with restricted Employee rights	<ol style="list-style-type: none"> Employee may not sell, transfer, gift, pledge, create a right in rem or dispose by other ways, the new shares with restricted Employee rights. After issued, the new shares with restricted Employee rights should be managed by custodian, and before the vesting conditions are fulfilled, under no circumstances or reasons should the shares be requested to be returned or handed over from the custodian. However, the new shares with restricted Employee rights may participate in stock dividend, cash dividend and cash capital increase.
Custody of new shares with restricted Employee rights	Held in trust
Treatment of new shares with restricted Employee rights that have not fulfilled vesting conditions	For allocated shares with restricted Employee rights, when Employees fail to meet the vesting conditions, the Company may redeem and cancel the shares with no consideration.

Number of new shares with restricted Employee rights that have been redeemed or bought back	242 thousand shares
Number of new shares with restricted Employee rights that have been lifted from restriction	1,984 thousand shares
Number of new shares with restricted Employee rights that have not been lifted from restriction	2,274 thousand shares
Percentage of number of new shares with restricted Employee rights that have not been lifted from restriction to total issued shares (%)	1.09%
Impact on Shareholders' Interest	Calculating based on the closing price on issue date, September 11, 2018 of NT\$57.4, the expense amount is NT\$57.4 per share, totaling NT\$258,300 thousand for four years. Calculating based on vesting conditions and the circulated number of shares, the dilution of the expense amount for each year is NT\$0.3 per share, and will not impact the shareholders' interest significantly.

(2) Names and Shareholdings of Managers and Top 10 Employees for New Shares with Restricted Employee Rights Held

April 18, 2021: Unit: thousand shares; NT\$ thousand

	Position	Name	Number of new shares with restricted Employee rights	Percentage of new shares with restricted Employee rights to total issued shares	Lifted from restriction				Not yet lifted from restriction			
					Number of shares lifted from restriction	Issue price	Issue amount	Percentage of new shares with restricted Employee rights lifted from restriction to total issued shares	Number of shares not yet lifted from restriction	Issue price	Issue amount	Percentage of number of shares not yet lifted from restriction to total issued shares
Manager	President	Tseng Chao-Peng	1,200	0.58%	766	0	0	0.37%	434	0	0	0.21%
	Executive Vice President	Lu Fong -Yu										
	Senior Vice President	Chen Chien-Lin										
	Vice President	Liu Chung-Pao										
	Vice President	Hsiung Nien-Che										
	Vice President	Lee Chih-Fang										
	Vice President	Kuo Shin-Lung										
	Chief Accounting Officer and Supervisor of Corporate Governance	Huang Shih-Wei										
Employee	Senior Director	Chuang Kuo-Yu	522	0.25%	264	0	0	0.13%	258	0	0	0.12%
	Senior Director	Wang Yu-Yu										
	Senior Director	Lin Yen-Ju										
	Senior RD Technical Director	Chen Yu-Kuo										
	Associate Director	Wang Po-Kang										
	Associate Director	Hsiao He-Chieh										
	Deputy Director	Tsai Wen-Pin										
	Deputy Director	Yu Shao-Ming										
	Deputy Director	Liu Cheng-Kuo										
	Deputy Director	Wu Tang-Kuang										

7. Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

8. Financing Plans and Implementation

(1) Content of Plans:

As of previous quarter of the publication date of the annual report, the content of plans and implementation status for previous issuances or private placements of securities that have yet been completed, or have been completed in the last three years, in which the benefits of the plans have yet emerged: None.

(2) Implementation Status:

Pertaining to item by item of the purpose of each plan stated in the preceding subparagraph as of previous quarter of the publication date of the annual report, analyze the implementation status and benefits as opposed to the original estimation. For instance, if there is implementation progress or benefits that have not achieved the estimated targets, the reasons, the influences on the shareholders' rights/interests and improvement plans shall be explained specifically: None.

V. Operational Highlights

The Company and its 100% invested subsidiaries-Arcadyan Technology N.A. Corp, Arcadyan Germany Technology GmbH, Arcadyan Technology Corporation Korea, Arcadyan Technology Limited, Arcadyan Holding (BVI) Corp., Zhi Bao Technology Inc., Arcadyan Technology Australia Pty Ltd, Arcadyan Technology Corporation (Russia) LLC, 99% invested subsidiary- Arcadyan do Brasil Ltda., 61% invested subsidiary-Tatung Technology Inc. and 51% invested subsidiary-AcBel Telecom Inc., Arcadyan Holding's 100% invested subsidiaries-Arch Holding (BVI) Corp., Sinoprime Global Inc. and Arcadyan Technology (Shanghai) Corp., Arch Holding's 100% invested subsidiary-Compal Networking (Kunshan) Co.,Ltd., Sinoprime Global Inc.'s 100% invested subsidiary-Arcadyan Technology(Vietnam) Co., Ltd., Tatung Technology Inc.'s 100% invested subsidiaries- Tatung Technology of Japan Co., Ltd. and Quest International Group Co., Ltd., Quest International Group Co., Ltd.'s 100% invested subsidiary-Exquisite Electronic Co., Ltd. and Exquisite Electronic Co., Ltd.'s 100% invested subsidiary- Tatung Home Appliances (Wujiang) Co., Ltd. AcBel Telecom Inc.'s 100% invested subsidiary-Leading Images Ltd. and Leading Images Ltd.'s 100% invested subsidiary-Astoria Networks GmbH prepare the consolidated financial reports. As all the subsidiaries are mainly involved in R&D, manufacturing and sales of broadband and Wireless network products, the operational highlights of the consolidated entities are similar to the Company.

1. Business Activities

(1) Business Scope

1. Main areas of business operations

■Main content of business operations

The Company mainly engages in R&D, manufacturing and sales of broadband access, wireless LAN, digital home multimedia application, mobile broadband and wireless video products.

■ Revenue distribution

Item \ Year	2019		2020	
	Amount	(%) of Total Sales in	Amount	(%) of Total Sales in
Broadband and wireless gateway	22,983,532	69.86	16,405,790	48.59
Wireless LAN products	9,482,084	28.82	16,785,541	49.71
Others	432,284	1.32	573,964	1.70
Total	32,897,900	100.00	33,765,295	100.00

2. The product (service) scope and new products development (service) are as follows,

- (1) Broadband gateway products: Mainly consists of the xDSL product and integrated access devices (IAD), combining with IoT, VoIP and multimedia application services.
- (2) Wireless LAN products: Mainly consists of Wi-Fi 6 and Mesh technology, as well as developing various home networking products.
- (3) Digital home multimedia application: Mainly consists of Android STB and IP STB, providing set top boxes and services for telecommunication companies or video streaming suppliers.
- (4) Mobile communication networking products: Including 5G NR terminal access equipment and the relevant antenna modules, small cell and various Smart Home IoT application.

(2) Industry overview

1. Current and future industry prospects

According to the forecast of the Market Intelligence & Consulting Institute (MIC), due to the COVID-19 pandemic and large scale commercialization of 5G globally, 2021 would see a restructuring of order in the network and communication industry, whereby a technological breakthrough might be occurring.

Continuing the industrial trend of 2020, the popularity of 5G will persist. Since 2020, the COVID-19 pandemic has brought much inconvenience to personal lives and business operations. As a result, cloud, remote and virtual applications on the IoT have soared. Under the digital transformation trend, the importance of 5G in terms of high transmission speed and low latency is underscored. According to the latest Ericsson Mobility Report, at the end of 2020, more than 1 billion people or 15% of the global population were living in areas with 5G coverage. It is estimated that by 2026, two fifths of the mobile users shall be using 5G telecommunication network. The number of 5G users shall grow consistently.

Moreover, the importance of 5G corporate private network which has been frequently mentioned since last year is further heightened. International Data Corporation (IDC) indicated that after 5G service is formally launched, 5G corporate private network shall be the focus of telecom operators in increasing their profitability for the coming years. Take Taiwan for example. In the coming five years, manufacturing businesses shall be the patrons of corporate private network, especially semiconductor and high-tech businesses. The medical and petrochemical businesses are the next in line. Some of the government agencies and universities shall also have demand for corporate private network. It is estimated that in 2025, half of the businesses in Taiwan shall opt for 5G corporate private network. The IDC analyst indicated that from 2021 onward, corporate private network shall shift from 5G non-standalone (NSA) framework to standalone (SA) framework, so as to fully implement the accelerated development of digital transformation.

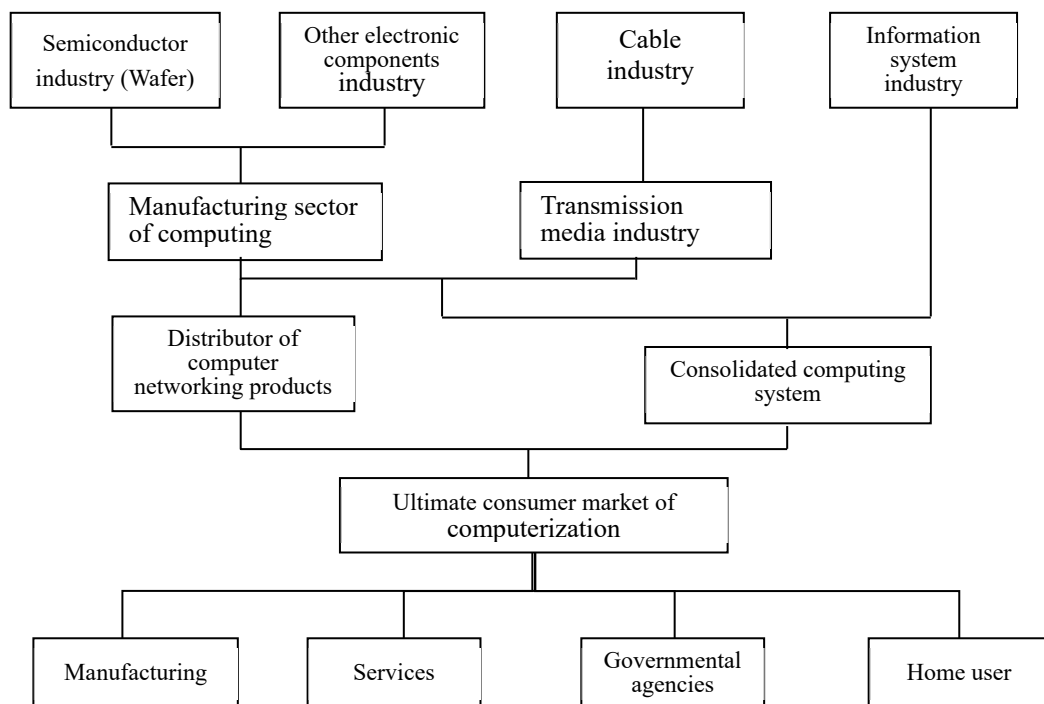
For the Wi-Fi technology, in 2021, the technological mainstream shall be Wi-Fi 6 application, in which the efficiency of the congestion control is far superior to the previous generations. It shall be beneficial for heavy users or installations whereby a smooth transfer of large data is required. MIC estimated that in 2021, the shipment of Wi-Fi 6 products shall overtake the shipment of Wi-Fi 5 products. Wi-Fi 6 shall

be the growth momentum of the Taiwanese market in 2021 and drive the growth of wireless communication.

Meanwhile, for the next generation wireless communication technology, Wi-Fi 6E, many countries are gradually opening the 6GHz bandwidth for Wi-Fi technology use, giving rise to new opportunities of Wi-Fi 6E and resolving the shortage of wireless network spectrum. Wi-Fi Alliance estimated that with extra network spectrum capacity, Wi-Fi 6E is able to support transmission of high definition content, virtual reality and etc., providing a faster and larger bandwidth capacity and allowing a lower latency in network transmission application. The market sentiment is of the opinion that in the future, industrial environment shall adopt and apply Wi-Fi 6E on equipment analysis, remote maintenance and virtual employee training.

2. Association between upstream, midstream, and downstream industry participants

Integrating the R&D organization of upstream (dual-band wireless multimedia gateway controlling wafer and dual-band wireless multimedia decompressing wafer and other critical components) and downstream (provision of R&D platform) industries, providing networking system structure and fueling the development of communication related industries.



3. Product trends and competition

(1) Wireless LAN equipment

The Wi-Fi 6 technology will constitute the mainstream wireless network. It is estimated that in 2021, Wi-Fi 6 will constitute more than 50% of the Wi-Fi chip market. It has a larger broadband capacity, lower latency and multiple-point wireless connection, which can be applied to complement 5G network, providing a better Wi-Fi network experience for consumers.

Meanwhile, the Federal Communications Commission (FCC) of the US approved the use of 6GHz network spectrum for Wi-Fi

on April, 2020. The technology is called Wi-Fi 6E which can cover all network spectrum of 1200 MHz. It can thus expand the existing network spectrum resources. The latency for Wi-Fi 6E is lower than Wi-Fi 6 and can go lower than 3 milliseconds. It can substantially benefit AR/VR application via wireless transmission and shall serve as the next generation key development project for Wi-Fi technology.

(2) 5G networking equipment

Due to the impact of pandemic, many countries are ramping up the construction of 5G infrastructure. 5G contains characteristics such as high speed, low latency and large broadband. Its open network framework is able to drive the industry transformation and the momentum for innovation and R&D around the globe. Of which, 5G SA private network shall become the main selling point of the telecom operators. It can fully support various industries, e.g. self-driving, industrial networking, smart logistics and remote medical treatment and other 5G vertical integrated application.

Meanwhile, many telecom operators have made investment in the R&D and design of Open Radio Access Network (O-RAN). In 2020, many large scale telecom operators have been installing and showcasing the O-RAN framework. The related alliances, including Telecom Infra Project (TIP) and O-RAN, are actively enhancing the interoperability to ensure the smooth installation of O-RAN framework in the future and facilitate the creation of an industrial ecosystem.

(3) Research and Development

1. R&D expenditure for the most recent year up to the publication date of this annual report

Unit: NT thousands; %

Year	R&D expenses	Operating revenue	R&D expenses as a percentage of Operating revenue
2020	1,724,851	33,765,295	5.1%
First quarter of 2021	488,295	9,624,815	5.1%

2. New product or technology developed

- Successfully developed Wi-Fi 6 broadband products.
- Successfully developed XGSPON fiber optic broadband products.
- Successfully developed DOCS3.1 + Wi-Fi 6 cable products.
- Successfully developed 79GHz commercialized vehicle radar of difference radius between inner wheels.

(4) Long-term and short-term development

1. Short-term development

(1) Research and development strategy

- A. By means of technology integration and providing customization of products, grasping the market vibration and customer needs to increase market share.
- B. In addition to lowering costs, applying the technological know-how the Company has accumulated to develop new product lines, shorten development time, introducing them to the market and increasing product quality and popularity.

(2) Marketing strategy

Strengthening relationship with existing customers and actively developing new markets, expanding sales locations to building a complete marketing channels, providing professional consultation, maintenance and technical support for various products.

(3) Production strategy

- A. Acquiring production location that will raise cost advantage and increase the competitiveness of products.

- B. Increasing production efficiency to control budgets and costs.
- C. Strengthen the supply chain management capability and keep informed of the delivery of materials.

(4) Operational and financial planning strategy

- A. Actively expanding business, increasing operating revenue, accumulating operating capital, and expanding the scale of operation.
- B. Increasing management efficiency, motivating the potential of Employees, strengthening internal organization.

2. Long-term development

(1) Research and development strategy

- A. Combining the market demands, providing a complete product pipeline to customers, accumulating experience and technology integration capability in communication design, developing the wide range and depth of product lines, and other high-end products so as to satisfy customer and market needs.
- B. Continuing to improve the R&D process and efficiency, strengthening the R&D and core technology capabilities.

(2) Marketing strategy

- A. Training professional marketing talents for the long term, developing long term relationship with customers, and grasping the market vibration and changes of network communication market and product development in a timely manner.
- B. Actively seeking development collaboration or strategic alliance with international brand name companies to expand international markets.

(3) Production strategy

- A. Maintaining long term cooperation relationship with upstream suppliers to collaborate in development, so as to lower costs, and develop high quality and competitive products.
- B. Expanding production capacity and diversifying production bases to mitigate risk posed by single production base.

(4) Operational and financial planning strategy

- A. Using financial instruments from both domestic and foreign market to diversify financial risks.
- B. Strengthening worldwide business philosophy and management capabilities, actively training international talents and aim toward building a global enterprise.

2. Market and Sales Overview**(1) Market Analysis****1. Sales (Service) by Regions**

Area	Percentage
Europe	49.7 %
America	28.2 %
Asia (including Taiwan)	17.0 %
Others	5.1 %
Total	100.0 %

2. Market Share

According to the forecast of Industrial Economics and Knowledge Center (IEK), in 2020, the output of telecommunication equipment industry amounted to NT\$830 billion to NT\$840 billion. The sales of the Company (including subsidiaries) constitute 4% to 5% of the total sales of Taiwanese manufacturers.

3. Future Supply and Demand Situation and Growth of the Market

According to the forecast of IEK, 5G has driven the upgrading of many devices, including mobile phones, WLAN, CPE and other network equipment. In 2021, the output of telecommunication equipment industry is expected to reach NT\$868 billion, up by 4% growth as compared to 2020. Of which, the growth momentum of products concerning the Company are:

- (1) 5G network communication products

(2) Wi-Fi 6 telecommunication equipment

(3) XGSPON optic fiber broadband products

4. Competitive advantage

- **Outstanding R&D team:** Due to the outstanding capability of the R&D team and researchers with tremendous experience in the network communication, the Company has been designated by many international chipset makers as one of the Early Access Partners to take part in wafers development. As such, the Company is much earlier in obtaining the information of future products than its counterparts in the industry, allowing it to engage in product development sooner and thus gaining competitive advantages in launching new products.
- **Product customization:** With the support of the experience and capability of the R&D team, for the Access Technology, the Company has a mature R&D capability which allows it to develop software application and provide customers with high speed and strong functionality customized product design. The contribution of customized software application to customers includes:
 - A. Assisting customers to create market segmentation of products effectively.
 - B. Providing customers with quick customized product services.
 - C. Assisting customers in developing competitive products successfully.
 - D. Collaborating with chipset makers in development to ensure the leading position of the Company in product technology and functions.
 - E. Reducing the customers' investment in customer service with user friendly interface.
- **Deeply cultivation in the industry:** Product technology accompanying by the growing customer demand in functionality, such as Carrier Wi-Fi, VDSL products, PON, IPTV and 802.11x solution is the focus and the Company thinks that the future of ISP market is promising and thus to build a direct collaboration business model with ISP in the future, even though the market development is time consuming, the Company insists on investing R&D resources to accumulate product

development experience, so as to strengthen R&D capability in the integration of product technology.

5. Future opportunities, threats, and responsive strategies

(1) Opportunities

- **Professional R&D team:** In addition to technology advantages, the R&D team makes good use of the accumulated technical know-hows , so that make the Company as one of the Early Access Partners for many international chipset makers and a participant of the new chipset development process. As such, the Company is ahead of its counterparts in the industry in R&D investment and thus gaining advantages in launching new products.
- **Developing niche market:** The Company sets a business target on developing niche market and the sales strategy is mainly providing differentiated products and services. Compared to other internet communication companies which provide standardized and cheap products in exchange for sales scale, the Company offers products that have higher profit margin, and thus is able to re-invest more resources in R&D, building a positive business cycle.
- **Customized product design:** In addition to the technology capability in customization, the R&D team also needs to consider the functional flexibility in product design. In order to satisfy the time-sensitive demand of customers, the flexibility in product design is crucial. Currently, the Company has self-develop a software application, TRIPOLIS. The functions provided to customers include management, firewall or security, QoS, High Voice Quality on VoIP and Triple Play...etc. Via choosing from a simple menu, customers are able to choose different product functions and complete different product planning of different functions within a short timeframe. It not only satisfies the distinguished product needs of customers, but also complete product design and manufacturing efficiently, which speeds up launch of product in time.

(2) Threats

As the network communication technology is weeding through the

old to bring forth the new quickly, many new competitors are attracted to join the industry. To acquire more customers and market share, many suppliers simplify the product functions to reduce cost, or adopt a low cost sales strategy, then give rise to price competition. However, the Company provides product customization and complete technical support as its operation goal. The costs are relatively higher and thus the Company is unable to engage in competitive pricing with other suppliers.

(3) Strategies

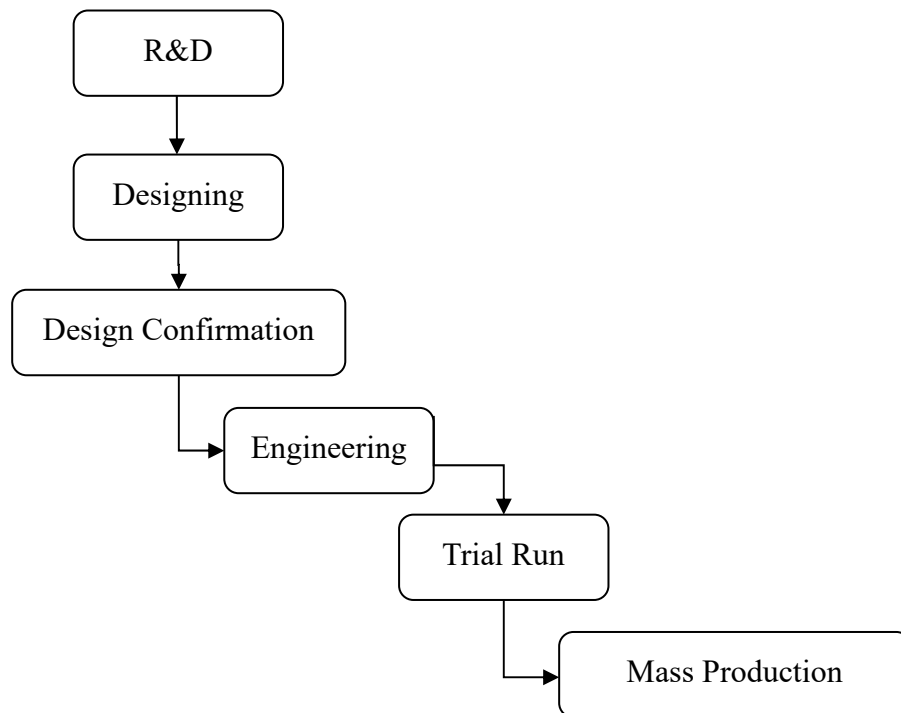
- Creating a single software platform: Via a single software platform, the Company is able to transform complicated product content into simple models, and thus win the orders quickly and go ahead of others.
- Integration of R&D technologies: The Company continues its effort in integrating with different technologies to obtain core technology, cost reducing and expanding market share. From the early stage Wired router with Wi-Fi function, VoIP, 802.11x, VDSL, ISDN, Wide-band DECT, 4G/5G and Wi-F, the Company continues to integrate and develop critical components.
- Mastering the timing of R&D: Accurately analyzing the market trend and future needs to engage in visionary product development.
- Creating mutual needs by collaborating with customers: Playing the partner role in mutual development with customers, providing better consultation and services, building up long term partnership but not merely playing as an OEM role.

(2) Major Products, their main uses and production processes

1. Main product applications

The business of the Company includes integrating smart network terminal equipment for broadband, multimedia, wireless and internet communication protocols, providing users with wireless access services. Currently, the Company focuses developing in access user-end and router products, combining VoIP, data transmission and IAD with multimedia applications, xDSL, router and wireless network interface card.

2. Production processes of main products



(3) Supply status of main materials

Main raw material	Supplier	Supplier conditions
Chipset	Company A	Good

(4) Suppliers and Customers that have accounted for over 10% of total operating revenue in any of Recent Two Years.

1. Major Suppliers

Unit: NT\$ thousand

Item	2019				2020				As of March 31, 2021			
	Name	Amount	As a percentage of net purchases for the year (%)	Relationship with the issuer	Name	Amount	As a percentage of net purchases for the year (%)	Relationship with the issuer	Name	Amount	As a percentage to net purchases as of March 31 of the year (%)	Relationship with the issuer
1	Company A	5,378,753	20.4%	N/A	Company A	4,915,960	16.5%	N/A	Company A	1,698,078	17.1%	N/A
2	Others	21,001,588	79.6%		Others	24,822,916	83.5%		Others	8,213,106	82.9%	
	Net purchases	26,380,341	100.0%		Net purchases	29,738,876	100.0%		Net purchases	9,911,184	100.0%	

Reason for increase or decrease: The major suppliers remain the same. Therefore, no further analysis is made.

2. Major Customers

Unit: NT\$ thousand

Item	2019				2020				As of March 31, 2021			
	Name	Amount	As a percentage of net sales for the year (%)	Relationship with the issuer	Name	Amount	As a percentage of net sales for the year (%)	Relationship with the issuer	Name	Amount	As a percentage to net sales as of March 31 of the year (%)	Relationship with the issuer
1	Company d	1,270,848	3.9%	N/A	Company d	6,243,695	18.5%	N/A	Company d	1,644,387	17.1%	N/A
2	Company e	3,080,082	9.4%	N/A	Company e	3,830,498	11.3%	N/A	Company e	1,598,648	16.6%	N/A
3	Company a	6,229,683	18.9%	N/A	Company a	1,195,532	3.5%	N/A	Company a	489,368	5.1%	N/A
4	Others	22,317,287	67.8%		Others	22,495,570	66.7%		Others	5,892,412	61.2%	
	Net sales	32,897,900	100.0%		Net sales	33,765,295	100.0%		Net sales	9,624,815	100.0%	

Reason for increase or decrease: Mainly due to market competition. The performance of customers varied and led to the changes in ranking.

(5) Production in the Recent Two Years

Unit: thousand devices; NTD thousands

Production volume/value	Year	2019			2020		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Broadband wireless gateway		12,573	9,628	17,838,657	11,425	7,753	13,687,436
Wireless LAN products		16,766	14,093	9,200,348	21,850	19,146	13,145,778
Total		29,339	23,721	27,039,005	33,275	26,899	26,833,214

(6) Shipments and Sales in the Recent Two Years

Unit: thousand devices; NTD thousands

Sales volume	Year	2019				2020			
		Domestic sales		Export sales		Domestic sales		Export sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Broadband Wireless gateway		11	6,999	9,856	20,187,894	11	15,023	7,480	16,380,093
Wireless LAN Products		90	165,250	13,506	9,316,834	313	510,673	17,703	16,274,868
Others		-	10,989	-	3,209,934	-	57,581	-	527,057
Total		101	183,238	23,362	32,714,662	324	583,277	25,183	33,182,018

3. Employee information in the Recent Two Years up to the Publication Date of this Annual Report

Unit: Person; %

Year		2019	2020	As of the publication of annual report in 2021
Number of Employees	Administration and management Employees	22	20	20
	R&D Employees	655	720	740
	Ordinary Employees	3,152	4,458	4,248
	Total	3,829	5,198	5,008
Average age		31.1	28.6	28.6
Average Seniority		3.6	3.0	3.0
Distribution of academic qualifications	Doctoral degree	0.2%	0.2%	0.2%
	Master degree	10.9%	8.5%	9.4%
	Bachelor degree	21.7%	20.0%	20.7%
	High school	4.1%	9.6%	10.3%
	Below high school	63.1%	61.7%	59.4%

4. Expenditure on Environmental Protection

The operational activities of the Company does not give rise to any pollution. As such, no losses or fines were incurred or imposed due to pollution. For the coming year, the Company does not expect to incur such expenditure.

5. Labor Relations

(1) Availability and execution of Employee welfare, education, training and retirement policies. Elaboration of the agreements between employers and Employees, and protection of Employee rights.

■ Employee welfare

For Employee welfare, in addition to conformity to Labor Standards Act and other law statutes, the Company has established Staff Benefit Committee. Besides provision of allowances for wedding, bereavement, sickness, children birth, the Committee regularly organizes social

activities, domestic/overseas travel, birthday parties and gathering to provide entertainment to Employees and encourage their interaction. The various welfare measures are well received by Employees.

The Company allocates funds to “Staff Benefit Committee” by monthly basis for organizing Employee benefit activities, including birthday and holiday gift vouchers, organizing health and entertainment activities, family day, domestic/overseas travel, allowance for wedding, bereavement, children birth and hospitalization to Employees and family members, lucky draw at Year-end party, medical check-ups, group insurance and so on. Further, the Company provides the following benefits:

1. Employees enjoy annual leave in accordance with the Labor Standards Act from the first day of employment. Every year, 5 days of sick leave with pay is also given.
2. Establishing Employee canteens and cafes to take care of the diet of colleagues.
3. Providing colleagues with parking space for cars and motorcycles.
4. Providing special space for breastfeeding.
5. Establishing relaxing community centers and providing various equipment for Employees to stretch and work out.
6. Establishing elegant public spaces for Employees to relax.
7. Collaborating with charity organizations to hold charity massage events.
8. Booking services for various promotions.
9. Organizing year-end party for Employees.
10. Organizing domestic or overseas group travel, providing touring subsidy to encourage Employees’ participation and interactions, and promote family ties of the Employees.
11. Giving out the Company uniform (summer/polo shirt, winter/jacket).
12. In order to support government policy in childbirth as well as responding to the plan of Group, the Company subsidize birth bonus for every new born child. So far, more than NT\$17,688 thousand of baby bonus has been paid.

■ Education and training

Career planning and training of the Employees are very important to the Company. As such, the Company encourages its Employees to participate in various training programs and self-learning. According to business strategy, occupational framework and training needs of the Company, the training courses are planned as follows:

1. Courses on professional training: Collaborating with schools and professional institutions, continue to keep informed of R&D knowledge, creating innovative minds, keeping R&D team's capability in a leading position; Besides, the Company also invites academic and industrial professionals to make speeches for expediting knowledge sharing internally, strengthening R&D, making good use of new technologies and problem solving capabilities.
2. Courses on leadership and management: Continuing to organize for leadership and management courses to cultivate the leadership capability of supervisors and expand their visions, helping themselves and subordinates to grow continuously; adopting courses that facilitate interaction and sharing between different generations, assisting all units to take care of new Employees.
3. Courses on communication: Via project management and teamwork communication courses, assisting the supervisors of R&D and project managers to collaborate, strengthening the daily operation and problem solving capability.

In 2020, approximately 1,088 people participated in the classroom course, totaling 2,890 training hours.

Via the introduction of new IT technology and the sharing of experience by numerous internal instructors, the Company was able to establish a knowledge sharing platform, Arcadyan Content Sharing System(CSS), where Employees can peruse teaching materials and watch video or audio clips within the Company, and share professional know-how of various departments. CSS is able to consolidate the resources of the Company. It not only allows Employees to obtain the required knowledge quickly, but also facilitate various departments to establish a knowledge managing mechanism, encouraging Employees to do self-learning at any time.

■ Retirement system

The Company has established retirement plans. According to the plans, the number of years in service computed in accordance with Labor Standards Act. The total number of bases shall be no more than 45; the computation and disbursement of pension are implemented according to the regulations. From July 1, 2005 onward, since the Labor Pension Act was taken into effect, Employees can choose the old or new system at their discretion. The Company conforms to the regulations and allocates 6% of Employees' wages to their individual accounts at Bureau of Labor Insurance.

■ Employer-Employee communications and the enforcement of worker rights

The Company has always valued Employee benefit and welfare. Meetings with labors are held regularly to collect Employee opinion, continuous communicate and improve the problem for both parties. Further, the labor and management can express their opinions via system platform and emails to maintain a good relationship.

■ Code of Conduct for Employees

The Company has established the "Business Ethical Policy", where the Employees in their course of work, must strictly follow the business ethics policy, so as to maintain the good reputation of the Company, and obtain the respect and trust by customers, suppliers and other counterparts. Other major contents:

1. The Employees should avoid personal conflict of interests with the Company or the potential impact.
2. Once dealing with suppliers, customers and other counterparts in the course of work, the Employees must maintain the highest level of ethical conduct and shall not receive or give gifts, money, reception that will influence the normal working relationship and judgement. Any type of bribery should be prohibited absolutely.
3. When the Employee are during their tenure or have been resigned from office, they are not allowed to disclose any confidential business information or IP to any individuals, suppliers or companies.

All Employees have the duty to conform with the policies and procedures. Supervisors of all levels must do their best to implement and ensure their subordinates understand, accept and comply to the regulations strictly.

■ Work environment and Employee safety

At the initial stage of designing the hardware and software of the office environment, the Company set the protection of Employee safety as its top priority and ensure Employees can receive the greatest security at work. All the exits of the Company have access control installation. The toilets have equipped emergency buttons; Each floor has installed AED; The main entrance and exits have security guards to ensure the personal safety of the Employees.

The mechanical, electrical and fire protection facilities (such as fire alarm or fire extinguishers) of the Company are all well maintained in accordance with the regulations to ensure their optimal conditions.

Since the beginning of 2020, the pandemic is still serious, the Company has put in place the following prevention measures:

1. Preparing suitable and sufficient anti-epidemic materials against the virus infection (such as facial masks, alcohol, thermometers, infrared thermal imaging camera and etc.).
2. Establishing temperature taking and screening measures to strengthen the health management of Employees.
3. Strengthening the cleaning and disinfection of the work place.
4. Strengthening the training on virus infection prevention and self-protection.
5. Monitoring Employees who go on business trips and touring closely, paying attention to Employees with personal health issues and taking necessary measures to trace and manage.
6. Strengthening split for group operation and rehearsal for work from home.

(2) For the Most Recent Year up to the Publication Date of this Annual Report, disclose the actual or estimated losses arising as a result of employment disputes and any responsive measures taken. If a reasonable estimation cannot be made, the reason why the estimation cannot be made should be disclosed:

- The labor-management relations of the Company have been harmonious always. No losses were incurred and no estimated losses will be incurred in the coming year due to labor dispute.
- Future responsive strategies and possible expenditure: None.

6. Important Contracts

Nature of contract	Party	Commencement date and term of contract	Major Contents	Restriction
Master Purchase Agreement	Company a	Effective from March 1, 2018 till terminated by not less than 3 months' written notice served by either party.	Engaging for designing, R&D, manufacturing of wireless telecommunication products.	Confidentiality clause
Master Purchase Agreement	Company b	Effective from March 23, 2006, till terminated by not less than 3 months' written notice served by either party.	Engaging for designing, R&D, manufacturing of wireless telecommunication products.	Confidentiality clause
Master Purchase Agreement	Company c	Effective from February 2007, unless termination notice is served beforehand, the contract will be automatically renewed for the period of one year.	Engaging for designing, R&D, manufacturing of wireless telecommunication products.	Confidentiality clause
Master Purchase Agreement	Company d	Effective from March 1, 2004 to March 1, 2017 and will be automatically renewed for a period of one year, until terminated by a 12 months' notice is served.	Engaging for designing, R&D, manufacturing of STB products.	Confidentiality clause
Master Purchase Agreement	Company e	Effective from May, 2007 to May 2020, till terminated by 20 working days' written notice served by either party, the contract will be automatically renewed for the period of one year.	Engaging for designing, R&D, manufacturing of wireless telecommunication products.	Confidentiality clause
Master Purchase Agreement	Company f	Effective from August 31, 2018 to August 30, 2021, till terminated by a written notice served by either party, the contract will be automatically renewed for the period of one year.	Engaging for designing, R&D, manufacturing of wireless telecommunication products.	Confidentiality clause
Master Purchase Agreement	Company g	Effective from March 1, 2016 to February 29, 2017, till terminated by 90 working days' written notice served by either party, the contract will be automatically renewed for the period of one year.	Engaging for designing, R&D, manufacturing of wireless telecommunication products.	Confidentiality clause
Master Purchase Agreement	Company h	Effective from December, 2011 to December 31, 2012, the parties signed an agreement to extend to June 30, 2020.	Engaging for designing, R&D, manufacturing of wireless telecommunication products.	Confidentiality clause
Master Purchase Agreement	Company i	Effective from March 28, 2013 to March 28, 2016, the parties signed an agreement to extend the term of contract.	Engaging for designing, R&D, manufacturing of wireless telecommunication products.	Confidentiality clause
Master Purchase Agreement	Company j	Effective from July 2017 to July 2020, the parties signed an agreement to extend the term of contract.	Engaging for designing, R&D, manufacturing of wireless telecommunication and STB products.	Confidentiality clause
Master Purchase Agreement	Company I	Effective from 2012 unless termination notice is served beforehand, the contract will be automatically renewed for the period of one year.	Engaging for designing, R&D, manufacturing of STB products.	Confidentiality clause

Nature of contract	Party	Commencement date and term of contract	Major Contents	Restriction
Patent license agreement	Company II	Effective from 2012 until the last patent expired.	Engaging for designing, R&D, manufacturing of STB products.	Confidentiality clause
Patent license agreement	Company IV	Effective from June 30, 2015 to December 31, 2020, the contract will be automatically renewed for a further period of five years.	Authorizing the Company the right to use certain patents in HEVC of Company IV for manufacturing and sales of STB products.	Confidentiality clause
Patent license agreement	Company V	Effective from 2011, until the last patent expired.	Authorizing the Company the right to use certain patents of Company V for manufacturing and sales of products.	Confidentiality clause

VI. Financial Information

1. Five-Year Financial Summary

(1) Consolidated Condensed Balance Sheet – Based on IFRS

Unit: NT\$ thousand

Year Item		Financial Summary for The Last Five Years (Note1)					
		2016	2017	2018	2019	2020	As of March 31, 2021
Current assets		12,350,196	13,121,132	18,638,678	22,052,835	24,721,922	26,731,284
Property, plant, and equipment		1,916,931	1,779,566	1,913,556	2,312,578	2,518,009	2,763,815
Intangible assets		91,776	70,862	61,033	66,878	75,300	71,090
Other assets		858,234	610,288	640,213	1,098,694	1,491,995	1,488,354
Total assets		15,217,137	15,581,848	21,253,480	25,530,985	28,807,226	31,054,543
Current liabilities	Prior to distribution	5,987,291	6,495,495	11,620,412	13,044,806	15,368,928	18,478,110
	After distribution	6,724,855	6,873,734	12,297,855	14,024,676	Note 2	-
Non-current liabilities		134,683	161,946	159,270	1,145,245	1,476,302	1,490,978
Total liabilities	Prior to distribution	6,121,974	6,657,441	11,779,682	14,190,051	16,845,230	19,969,088
	After distribution	6,859,538	7,035,680	12,457,125	15,169,921	Note 2	-
Equity attributable to parent company shareholders		8,701,278	8,503,397	9,066,144	10,904,726	11,609,361	10,731,808
Ordinary shares		1,891,190	1,891,190	1,936,190	2,085,350	2,084,095	2,084,245
Capital surplus		2,655,927	2,656,323	2,794,174	3,703,916	3,661,594	3,457,084
Retained earnings	Prior to distribution	4,169,403	4,035,172	4,609,080	5,335,400	6,106,197	5,414,543
	After distribution	3,431,839	3,732,581	4,028,415	4,397,226	Note 2	-
Other equity interests		(15,242)	(79,288)	(273,300)	(219,940)	(242,525)	(224,064)
Treasury stock		0	0	0	0	0	0
Non-controlling interests		393,885	421,010	407,654	436,208	352,635	353,647
Total equity	Prior to distribution	9,095,163	8,924,407	9,473,798	11,340,934	11,961,996	11,085,455
	After distribution	8,357,599	8,546,168	8,796,355	10,361,064	Note 2	-

Note 1: The financial information for the most recent five years above has been audited by CPAs. Financial information as of March 31, 2021 has been reviewed by CPAs.

Note 2: The 2020 annual financial statements have not been approved by the shareholders' meeting. Therefore, the amount after distribution is not listed.

(2) Parent-Company-Only Condensed Balance Sheet – Based on IFRS

Unit: NT\$ thousand

Year Item		Financial Summary for The Last Five Years (Note1)				
		2016	2017	2018	2019	2020
Current assets		8,732,776	8,176,155	12,089,903	16,440,772	19,594,854
Property, plant, and equipment		1,534,944	1,482,133	1,459,348	1,455,271	1,471,239
Intangible assets		82,586	63,463	55,133	63,761	71,428
Other assets		2,337,260	2,294,611	2,621,496	3,595,588	3,796,077
Total assets		12,687,566	12,016,362	16,225,880	21,555,392	24,933,598
Current liabilities	Prior to distribution	3,870,256	3,368,436	7,012,331	9,281,884	12,153,990
	After distribution	4,607,820	3,746,675	7,689,774	10,261,754	Note 2
Non-current liabilities		116,032	144,529	147,405	1,368,782	1,170,247
Total liabilities	Prior to distribution	3,986,288	3,512,965	7,159,736	10,650,666	13,324,237
	After distribution	4,723,852	3,891,204	7,837,179	11,630,536	Note 2
Equity attributable to parent company shareholders		8,701,278	8,503,397	9,066,144	10,904,726	11,609,361
Ordinary shares		1,891,190	1,891,190	1,936,190	2,085,350	2,084,095
Capital surplus		2,655,927	2,656,323	2,794,174	3,703,916	3,661,594
Retained earnings	Prior to distribution	4,169,403	4,035,172	4,609,080	5,335,400	6,106,197
	After distribution	3,431,839	3,732,581	4,028,415	4,397,226	Note 2
Other equity interests		(15,242)	(79,288)	(273,300)	(219,940)	(242,525)
Treasury stock		0	0	0	0	0
Non-controlling interests		0	0	0	0	0
Total equity	Prior to distribution	8,701,278	8,503,397	9,066,144	10,904,726	11,609,361
	After distribution	7,963,714	8,125,158	8,388,701	9,924,856	Note 2

Note 1: The financial information for the most recent five years above has been audited by CPAs.

Note 2: The 2020 annual financial statements have not been approved by the Shareholders'

Meeting. Therefore, the amount after distribution is not listed.

(3) Consolidated Condensed Statement of Comprehensive Income – Based on IFRS

Unit: NT\$ thousand

Year Item	Financial Summary for The Last Five Years (Note1)					As of March 31, 2021
	2016	2017	2018	2019	2020	
Net sales revenue	23,910,479	20,110,209	26,621,262	32,897,900	33,765,295	9,624,815
Gross profit	3,865,844	2,801,989	3,156,200	4,352,375	5,053,451	1,356,741
Net operating income	1,794,183	918,536	971,443	1,727,512	2,283,477	616,177
Non-operating income and expense	(96,238)	(131,208)	146,581	(24,688)	54,873	(31,952)
Net income before tax	1,697,945	787,328	1,118,024	1,702,824	2,338,350	584,225
Net income from continuing operations	1,373,002	650,310	880,183	1,356,986	1,630,605	455,427
Net loss from discounting operations	0	0	0	0	0	0
Net income (loss)	1,373,002	650,310	880,183	1,356,986	1,630,605	455,427
Income (Loss) from Other comprehensive income (loss) (net after tax)	(78,332)	(67,902)	31,652	(53,703)	(97,919)	10,319
Total comprehensive income of the current period	1,294,670	582,408	911,835	1,303,283	1,532,686	465,746
Net income attributes to shareholders of the Parent	1,357,473	607,243	871,519	1,313,498	1,713,942	454,417
Net income attributable to non-controlling interests	15,529	43,067	8,664	43,488	(83,337)	1,010
Comprehensive income attributed to owners of parent	1,281,371	539,335	902,103	1,260,626	1,612,095	464,734
Comprehensive income attributed to non-controlling interests	13,299	43,073	9,732	42,657	(79,409)	1,012
Earnings per share (unit: dollar)	7.19	3.21	4.61	6.85	8.36	2.20

Note 1: The financial information for the most recent five years above has been audited by CPAs. Financial information as of March 31, 2021 has been reviewed by CPAs.

Note 2: The 2020 annual financial statements have not been approved by the Shareholders' Meeting.

(4) Parent-Company-Only Condensed Statement of Comprehensive Income – Based on IFRS

Unit: NT\$ thousand

Item \ Year	Financial Summary for The Last Five Years (Note 2)				
	2016	2017	2018	2019	2020
Net sales revenue	19,983,085	14,911,943	21,826,567	27,381,217	30,703,280
Gross profit (Note 1)	3,007,684	2,039,761	2,510,396	3,540,816	4,549,393
Net operating income	1,525,938	716,018	894,010	1,551,570	2,301,809
Non-operating income and expense	109,457	(2,571)	149,383	22,680	47,233
Net income before tax	1,635,395	713,447	1,043,393	1,574,250	2,349,042
Net income from continuing operations	1,357,473	607,243	871,519	1,313,498	1,713,942
Net loss from discounting operations	0	0	0	0	0
Net income (loss)	1,357,473	607,243	871,519	1,313,498	1,713,942
Income (Loss) from Other comprehensive income (loss) (net after tax)	(76,102)	(67,908)	30,584	(52,872)	(101,847)
Total comprehensive income of the current period	1,281,371	539,335	902,103	1,260,626	1,612,095
Earnings per share (unit: dollar)	7.19	3.21	4.61	6.85	8.36

Note 1: Gross profit includes unrealized sales profit and loss from affiliated companies.

Note 2: The above financial information has been audited by CPAs.

Note 3: The 2020 annual financial statements have not been approved by the Shareholders' Meeting.

(5) Auditors' Opinions

Year	Accounting Firm	Name of CPA	Audit Opinion
2016	KPMG	Kuo Kuan-Ying, Yen Hsin-Fu	Unqualified opinion.
2017	KPMG	Kuo Kuan-Ying, Yen Hsin-Fu	Unqualified opinion.
2018	KPMG	Kuo Kuan-Ying, Yen Hsin-Fu	Unqualified opinion.
2019	KPMG	Kuo Kuan-Ying, Yen Hsin-Fu	Unqualified opinion.
2020	KPMG	Chien Szu-Chuan, Yen Hsin-Fu	Unqualified opinion.

2. Five-Year Financial Analysis

(1) Consolidated Condensed Financial Analysis – Based on IFRS

Items		Year	Financial Information for the Most Recent Five Years					As of March 31, 2021
			(Note)					
		2016	2017	2018	2019	2020		
Capital Structure (%)	Debt ratio	40.23	42.73	55.42	55.58	58.48	64.30	
	Long-term fund to PP&E ratio	481.49	510.59	503.41	539.92	533.69	455.04	
Liquidity analysis	Current ratio	206.27	202.00	160.40	169.05	160.86	144.66	
	Quick ratio	139.01	141.34	103.36	107.92	107.69	90.82	
	Interest coverage	171.32	63.92	39.83	32.16	69.69	99.86	
Operating performance Analysis	Accounts receivable turnover (times)	4.25	3.72	4.82	5.52	5.19	5.54	
	Average collection days	86	98	76	66	70	66	
	Inventory turnover (times)	5.70	4.59	4.63	4.02	3.63	3.71	
	Accounts payable turnover (times)	5.16	4.30	4.20	3.69	3.09	2.96	
	Average inventory turnover days	64	79	79	91	101	98	
	Property, plant and equipment turnover (times)	12.49	10.88	14.42	15.57	13.98	14.58	
	Total Assets Turnover (times)	1.68	1.31	1.45	1.41	1.24	1.29	
Profitability Analysis	Return on Assets (%)	9.71	4.29	4.94	5.99	6.14	1.55	
	Return on Equity (%)	15.96	7.22	9.57	13.04	13.99	3.95	
	Pre-tax income to paid-in capital ratio (%)	89.78	41.63	57.74	81.66	112.20	28.03	
	Net income ratio (%)	5.74	3.23	3.31	4.12	4.83	4.73	
	Earnings per share (NT\$)	7.19	3.21	4.61	6.85	8.36	2.20	
Cash Flow Analysis	Cash flow ratio (%)	35.14	16.56	15.62	19.14	21.81	5.45	
	Cash flow adequacy ratio (%)	130.12	125.70	83.24	78.64	102.03	85.87	
	Cash reinvestment ratio (%)	16.36	3.10	12.34	12.74	16.05	7.19	
Leverage	Operating leverage	1.19	1.39	1.39	1.26	1.24	1.23	
	Financial leverage	1.00	1.01	1.04	1.03	1.02	1.02	

Ratios with change of 20% or more in the most recent two years:

1. Interest coverage: Mainly due to increase in income for the current period.
2. Pre-tax income to paid-in capital ratio: Mainly due to increase in income for the current period.
3. Earnings per share: Mainly due to increase in income for the current period.
4. Cash flow adequacy ratio: Mainly due to increase in cash inflow from operating activities as compared to the last period.
5. Cash reinvestment ratio: Mainly due to increase in cash inflow from operating activities as compared with the last period.

Note: The financial information for the most recent five years above has been audited by CPAs. Financial information as of March 31, 2021 has been reviewed by CPAs.

(2) Parent-Company-Only Financial Analysis – Based on IFRS

Items		Year	Financial Information for the Most Recent Five Years (Note 1)				
			2016	2017	2018	2019	2020
Capital Structure (%)	Debt ratio		31.42	29.23	44.13	49.41	53.44
	Long-term fund to PP&E ratio		574.44	583.48	631.35	843.38	868.63
Liquidity analysis	Current ratio		225.64	242.73	172.41	177.13	161.22
	Quick ratio		166.48	185.53	126.49	132.39	120.33
	Interest coverage		104.10	963.82	86.54	195.88	231.34
Operating performance Analysis	Accounts receivable turnover (times)		4.40	3.84	4.72	4.24	4.58
	Average collection days		83	95	77	86	80
	Inventory turnover (times)		8.95	6.18	7.59	6.46	5.84
	Accounts payable turnover (times)		6.54	4.82	4.80	3.74	3.38
	Average inventory turnover days		41	59	48	57	62
	Property, plant and equipment turnover (times)		13.06	9.89	14.84	18.79	20.98
	Total Assets Turnover (times)		1.68	1.21	1.55	1.45	1.32
Profitability Analysis	Return on Assets (%)		11.52	4.92	6.24	7.02	7.46
	Return on Equity (%)		16.53	7.06	9.92	13.15	15.23
	Pre-tax income to paid-in capital ratio (%)		86.47	37.72	53.89	75.49	112.71
	Net income ratio (%)		6.79	4.07	3.99	4.80	5.58
	Earnings per share (NT\$)		7.19	3.21	4.61	6.85	8.36
Cash Flow Analysis	Cash flow ratio (%)		43.28	34.91	6.90	15.17	38.60
	Cash flow adequacy ratio (%)		98.72	103.52	76.57	61.96	103.74
	Cash reinvestment ratio (%)		14.86	4.79	1.11	5.78	28.06
Leverage	Operating leverage		1.08	1.19	1.16	1.30	0.94
	Financial leverage		1.01	1.00	1.01	1.01	1.01

Ratios with change of 20% or more in the most recent two years:

1. Pre-tax income to paid-in capital ratio: Mainly due to increase in income for the current period.
2. Earnings per share: Mainly due to increase in income for the current period.
3. Cash flow ratio: Mainly due to increase in cash inflow from operating activities in the current period, as compared with the last period.
4. Cash flow adequacy ratio: mainly due to increase in cash inflow from operating activities for the current period as compared to the last period.
5. Cash reinvestment ratio: Mainly due to increase in cash inflow from operating activities as compared with the last period.
6. Operating leverage: mainly due to increase in operating profit for the current period.

Note 1: The financial information for the most recent five years above has been audited by CPAs.

Note 2: The calculation formulae of the ratios are listed at the end of the table:

■ The calculation formulae of the ratios above are as follows:

1. Capital Structure

- (1) Debt ratio = Total liabilities / Total assets
- (2) Long-term fund to PP&E ratio = (Net shareholders equity + Long-term liabilities) / Net property, plant and equipment

2. Liquidity analysis

- (1) Current ratio = Current Assets / Current liability
- (2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liability
- (3) Interest coverage = Net income before income tax and interest expense / Interest expense

3. Operating performance

- (1) Accounts receivable (including accounts receivable and notes receivable from operation) turnover = Net sales / the average balance of accounts receivable (including accounts receivable and notes receivable from operation)
- (2) Average collection days = 365 / accounts receivable turnover
- (3) Inventory turnover = Cost of goods sold / Average inventory
- (4) Accounts payable (including accounts payable and notes payable from operation) turnover = Cost of goods sold / the average balance of accounts payable (including accounts payable and notes payable from operation)
- (5) Average inventory turnover days = 365 / Inventory turnover
- (6) Property, plant and equipment turnover = Net sales / Net average property, plant and equipment
- (7) Total assets turnover = Net sales / Average total assets

4. Profitability

- (1) Return on Assets = [PAT + Interest expense × (1 - Interest rate)] / Average total assets
- (2) Return on Equity = PAT / Average net equity
- (3) Net income ratio = PAT / Net sales
- (4) Earnings per share = (PAT - Dividend from preferred stock) / Weighted average outstanding shares (Note 4)

5. Cash Flow Analysis

- (1) Cash flow ratio = Net cash flow from operating activities / Current liabilities
- (2) Cash flow adequacy ratio = Most recent 5-year cash flow from operating activities / Most recent 5-year (Capital expenditure + Increase in Inventory + Cash dividend)
- (3) Cash reinvestment ratio = (Cash flow from operating activities - cash dividend) / (Gross fixed assets + Long-term investment + Other assets + Working capital) (Note 5)

6. Leverage

- (1) Operating leverage = (Net revenue - Variable cost of goods sold and operating expense) / Operating income (Note 6)
- (2) Financial leverage = Operating income / (Operating income - Interest expenses)

Note 4: The following should be specially noted in the calculation formula of EPS:

1. The weighted average outstanding ordinary shares should serve as the basis, and not the issued shares as of the year-end.
2. For transactions involving cash capital increase or treasury stock, the weighted average outstanding shares should be calculated by considering their circulation period.
3. For any capital increase in retained earnings or additional paid-in capital, when calculating the EPS of previous fiscal years or half a fiscal year, retrospective capital increase adjustment should be adopted. It is not necessary to consider the issuance period of the capital increase.
4. If the preferred shares are unconvertible cumulative preferred shares, the dividend of that year (disbursed or otherwise) should be deducted from net income after tax, or added to net loss after tax. If the preferred shares are noncumulative preferred shares, when there is a net income after tax, the dividend of preferred shares should be deducted from net income after tax; if there is a net loss after tax, no adjustment is required.

Note 5: The following matters should be specifically noted in Cash Flow Analysis:

1. Net cash flow from operating activities is refer to net cash inflow from operating activities in Cash Flow Statement.
2. Capital expenditure is refer to the cash outflow of capital investment every year.
3. Inventory increase is only accounted for if the ending balance is greater than the beginning balance. If the ending balance decreases, the inventory increase amounts is regarded as zero.
4. Cash dividend includes cash dividend of ordinary shares and preferred shares.
5. Gross amount of Property, plant, and equipment is refer to Property, plant, and equipment before deducting accumulated depreciation.

Note 6: The issuer should distinguish various cost of goods sold and operating expense items as fixed or variable. If estimation or subjective judgement is involved, consistency must be applied.

Note 7: For the Company shares without par value or with par value that is not equivalent to NT\$10 per share, regarding to the calculation of aforementioned paid-in capital, equity attributable to parent company shareholders in balance sheets should be adopted.

3. Audit Committee's Report in the Most Recent Year

Audit Committee's Review Report

The Company's 2020 financial statements have been approved by the board of directors. Chien Szu-Chuan and Yen Hsin-Fu, the certified public accountants of KPMG, have completed the audit of the financial statements. In addition, the board of directors has prepared and submitted the Company's 2020 business report and the proposal for distribution of earnings. We, the Audit Committee, has duly examined and determined such business report and proposal for distribution of earnings to be in line with the requirements under the Company Act and relevant laws and regulations. According to Article 14-4 of the Securities and Exchange Act and Article 219 of Company Act, we hereby submit this report.

To:

The 2021 General Shareholders' Meeting of the Company

Arcadyan Technology Corporation

Chairman of Audit Committee: Lee Ying-Jen

March 17, 2021

4. Consolidated Financial Statements and Independent Auditors' Report



安侯建業聯合會計師事務所

KPMG

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Independent Auditors' Report

To the Board of Directors of Arcadyan Technology Corporation:

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

1. Inventory valuation

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



Description of key audit matters:

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

How the matter was addressed in our audit:

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

2. Provisions

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

Description of key audit matters:

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

How the matter was addressed in our audit:

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

Other Matter

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

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

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



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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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



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

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

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

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

KPMG

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

Notes to Readers

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

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

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

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2020		December 31, 2019		December 31, 2020		December 31, 2019		
	Amount	%	Amount	%	Amount	%	Amount	%	
Assets									
Current assets:									
1100 Cash and cash equivalents (note (6)(a))	\$ 9,079,768	32	7,607,559	30	2100 Short-term borrowings (note (6)(k))	\$ 707,795	3	519,038	2
1110 Current financial assets at fair value through profit or loss (note (6)(b))	272,743	1	15,455	-	2120 Current financial liabilities at fair value through profit or loss (note (6)(b))	54,417	-	5,414	-
1139 Current financial assets for hedging (note (6)(d))	-	-	61	-	2126 Current financial liabilities for hedging (note (6)(d))	2,192	-	4,932	-
1170 Notes and accounts receivable, net (notes (6)(e) and (u))	6,912,464	24	6,106,597	24	2171 Accounts payable(including related parties) (note (7))	10,334,606	36	8,222,862	32
1200 Other receivables(including related parties) (notes (6)(e),(w) and (7))	160,521	1	208,524	1	2200 Other payables(including related parties) (note (7))	2,575,057	9	1,537,265	6
1310 Inventories, net (note (6)(f))	8,026,596	28	7,811,724	30	2230 Current tax liabilities	395,660	1	532,947	2
1410 Prepayments	145,188	-	162,505	1	2250 Current provisions (note (6)(o))	659,377	2	602,319	2
1470 Other current assets (note (8))	124,642	-	140,410	-	2280 Current lease liabilities (notes (6)(n) and (7))	83,370	-	143,453	-
	<u>24,721,922</u>	<u>86</u>	<u>22,052,835</u>	<u>86</u>	2300 Other current liabilities (note (6)(l))	556,454	2	1,476,576	7
Non-current assets:									
1550 Investments accounted for using equity method (note (6)(g))	338,590	1	348,250	1	Non-current liabilities:	<u>15,368,928</u>	<u>53</u>	<u>13,044,806</u>	<u>51</u>
1511 Non-current financial assets at fair value through profit or loss (note (6)(b))	42,840	-	44,262	-	Bonds payable (note (6)(m))	980,219	4	966,492	4
1517 Non-current financial assets at fair value through other comprehensive income (note (6)(c))	31,135	-	49,500	-	2570 Deferred tax liabilities (note (6)(g))	97,445	-	68,706	-
1600 Property, plant and equipment (note (6)(h))	2,518,009	9	2,312,578	10	2580 Non-current lease liabilities (note (6)(n))	297,446	1	13,354	-
1755 Right-of-use assets (notes (6)(i) and (7))	723,424	3	147,810	1	2640 Non-current net defined benefit liability (note (6)(p))	99,119	-	94,911	-
1780 Intangible assets (note (6)(j))	75,300	-	66,878	-	2670 Other non-current liabilities	2,073	-	1,782	-
1840 Deferred tax assets (note (6)(q))	306,530	1	364,440	1	Total liabilities	<u>1,476,302</u>	<u>5</u>	<u>1,145,245</u>	<u>4</u>
1900 Other non-current assets	49,476	-	144,432	-	Equity attributable to owners of parent (notes (6)(m), (r) and (s)):	<u>16,845,230</u>	<u>58</u>	<u>14,190,051</u>	<u>55</u>
	<u>4,085,304</u>	<u>14</u>	<u>3,478,150</u>	<u>14</u>	Ordinary share	2,084,095	8	2,085,350	8
					Capital surplus	3,661,594	13	3,703,916	14
					Retained earnings	6,106,197	21	5,335,400	21
					Exchange differences on translation of foreign financial statements	(176,362)	(1)	(95,172)	-
					Unrealized gain or loss on financial assets at fair value through other comprehensive income	(18,365)	-	-	-
					Gain (losses) on hedging instrument	(2,192)	-	(4,871)	-
					Unearned employee benefit	(45,606)	-	(119,897)	-
					3491				
					3600 Non-controlling interests				
Total assets	<u>\$ 28,807,226</u>	<u>100</u>	<u>25,530,985</u>	<u>100</u>	Total equity	<u>11,609,361</u>	<u>41</u>	<u>10,904,726</u>	<u>43</u>
						<u>352,635</u>	<u>1</u>	<u>436,208</u>	<u>2</u>
						<u>11,961,996</u>	<u>42</u>	<u>11,340,934</u>	<u>45</u>
						<u>\$ 28,807,226</u>	<u>100</u>	<u>25,530,985</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

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

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

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

See accompanying notes to consolidated financial statements.

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

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

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

See accompanying notes to consolidated financial statements.

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

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

(1) Company history

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

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

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

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

(3) New standards, amendments and interpretations adopted:

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2020:

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

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

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

(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:

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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(4) Summary of significant accounting policies:

- (a) Statement of compliance

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currencies

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

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

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

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

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) List of subsidiaries in the consolidated financial statements

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

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

(d) Foreign currencies

(i) Foreign currency transactions

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

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

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Foreign operations

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

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

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

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

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

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

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

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) Cash and cash equivalents

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

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

(g) Financial instruments

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

(i) Financial assets

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

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

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

1) Financial assets measured at amortized cost

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

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

4) Impairment of financial assets

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

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

5) Derecognition of financial assets

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

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Financial liabilities

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

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

4) Derecognition of financial liabilities

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

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

5) Offsetting of financial assets and liabilities

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Derivative financial instruments and hedge accounting

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

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

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

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

1) Cash flow hedges

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

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

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(h) Inventories

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

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

(i) Investment in associates

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

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

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

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

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

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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(ii) Subsequent cost

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

(iii) Depreciation

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

Land is not depreciated.

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

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

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

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

(k) Lease

(i) Identifying a lease

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

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

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

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

(ii) As a lessee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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(l) Intangible assets

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

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

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

(m) Impairment – non- financial assets

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

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

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

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

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

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

(n) Provisions

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

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

(o) Revenue from contracts with customers

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

(i) Sale of goods

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

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

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(ii) Financing components

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

(p) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(iii) Short term employee benefits

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

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(q) Share-based payment

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

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

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

(r) Income Taxes

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

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

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

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

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

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

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

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

(s) Business combination

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

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

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

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

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

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

(t) Earnings per share

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

(u) Operating segments

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

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

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

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

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

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

(a) Inventory valuation

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

(b) Recognition and measurement of provisions

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

(6) Explanation of significant accounts:

(a) Cash and cash Equivalents

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

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

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

(i) Details are as follows:

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

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

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

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

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

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

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

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

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

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

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

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(d) Derivative financial instruments used for hedging

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

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

(ii) Cash flow hedge—foreign exchange risk

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

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

						December 31, 2020			
		Contract amount (in thousands)	Currency	Maturity period	Average strike price				
Derivative financial liabilities									
used for hedging									
Foreign exchange forward									
contracts:									
Foreign exchange forward	EUR	6,000	Sell EUR / USD	April 29, 2021~ June 29, 2021	1.2192				
						December 31, 2019			
		Contract amount (in thousands)	Currency	Maturity period	Average strike price				
Derivative financial assets used									
for hedging									
Foreign exchange forward									
contracts:									
Foreign exchange forward	EUR	6,000	Sell EUR / USD	February 14, 2020~ June 29, 2020	1.1278				
Derivative financial liabilities									
used for hedging									
Foreign exchange forward									
contracts:									
Foreign exchange forward	EUR	39,000	Sell EUR / USD	January 31, 2020~ December 29, 2020	1.1327				
Foreign exchange forward	USD	3,589	Buy USD / MXN	February 26, 2020~ March 30, 2020	19.507				

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(iii) Adjustments on reclassification from other comprehensive income

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

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

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

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

(e) Notes and accounts receivable

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

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

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

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

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

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

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

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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The movement of allowance for notes and accounts receivable were as follows:

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

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

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

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

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

(f) Inventories

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

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

- (g) Investments accounted for using equity method

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

	December 31, 2020	December 31, 2019
Associates	\$ 338,590	348,250

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

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

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

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

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

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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(h) Property, plant and equipment

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

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

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

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

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

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

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

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(j) Intangible Assets

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

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Amortization expenses

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

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

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

(k) Short-term borrowings

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

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

(l) Other current liabilities

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

(m) Unsecured convertible bonds payable

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

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

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

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

4) Terms of conversion:

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

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

b) The conversion price of NT\$98.3 per share upon issuance had been adjusted to NT \$93 per share after paying cash dividends on common shares and issuing new shares in cash in 2019, then adjusted to NT\$87.7 per share after paying cash dividend on common shares in 2020.

(n) Lease liabilities

The details of lease liabilities were as follows:

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

The amounts recognized in profit or loss were as follows:

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

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

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

(i) Real estate, machinery and vehicles lease leases

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

(ii) Other leases

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

(o) Provisions

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

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

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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(p) Employee benefits

(i) Defined benefit plans

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

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

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

1) Composition of plan assets

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

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

2) Movements in present value of the defined benefit obligations

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

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Movements of defined benefit plan assets

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

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

4) Expenses recognized in profit or loss

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

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

5) Actuarial gains and losses recognized in other comprehensive income

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

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

6) Actuarial assumptions

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

i) Present value of defined benefit obligations

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

ii) Defined benefit plan cost

	2020	2019
Discount rate as of December 31	1.000 %	1.375 %
Future salary increasing rate	3.000 %	3.000 %

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

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

7) Sensitivity analysis

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

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

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

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

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Defined contribution plans

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

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

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

(q) Income taxes

(i) Income tax expense

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

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

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

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

(Continued)

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

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

(ii) Deferred tax assets and liabilities

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

Details of unrecognized deferred tax assets are as follows:

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

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

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

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Recognized deferred tax assets and liabilities

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

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

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

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

(r) Capital and other equities

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

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Ordinary shares

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

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

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

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

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

(ii) Capital surplus

The balances of capital surplus were as follows:

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

(iii) Retained earnings

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

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

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

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Legal reserve

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

2) Special reserve

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

(iv) Earnings distributed

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

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

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

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

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

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

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

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

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

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

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

(ii) The Company – Cash injection reserved for employees

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

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

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

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

(iii) TTI – employee stock options

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

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

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

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

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

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

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

The information on total options issued were as follow:

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

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

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

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

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

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

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

- 1) Profit attributable to ordinary shareholders of the Company

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

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

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

(ii) Diluted earnings per share

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

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

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

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

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

(u) Revenue from contracts with customers

(i) Details of revenue

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

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

(ii) Contract balances

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

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

(v) Remuneration to employees and directors

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

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

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

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

(w) Financial instruments

(i) Credit risk

1) Exposure to credit risk

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

2) Concentration of credit risk

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

3) Receivable and debt securities

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

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

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Notes to the Consolidated Financial Statements

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

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

(ii) Liquidity risk

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

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

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

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

(iii) Market risk

1) Exposure to foreign currency risk

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

Unit: thousands of foreign currency

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

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

2) Sensitivity analysis

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

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

3) Exchange gains and losses of monetary items

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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(iv) Interest rate analysis

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

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

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

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

(v) Fair value

1) The kinds of financial instruments and fair value

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

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

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

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

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

a) Financial assets and financial liabilities measured at amortized cost

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

3) Valuation technique for financial instruments measured at fair value

a) Non-derivative financial instruments

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

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

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

b) Derivative financial instruments

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

4) Transfers between Level 1 and Level 2

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

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Notes to the Consolidated Financial Statements

5) Reconciliation of Level 3 fair values

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

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

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

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

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

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

Quantified information of significant unobservable inputs was as follows:

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

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

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

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

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

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

8) Offsetting financial assets and financial liabilities

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

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

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

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

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

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(x) Financial risk management

(i) Briefings

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

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

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

(ii) Structure of risk management

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

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

(iii) Credit risk

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

1) Accounts receivable and other receivables

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

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

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

2) Investments

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

(iv) Liquidity risk

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

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

(v) Market risk

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

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

1) Currency risk

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

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

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

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

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

2) Interest rate risk

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

(y) Capital management

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

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

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

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

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

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

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Reconciliation of liabilities arising from financing activities were as follows:

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

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

(7) Related-party transactions:

- (a) Parent company and ultimate controlling party

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

- (b) Name and relationship with related parties

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

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

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

(c) Significant related party transactions

(i) Sale

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

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

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

(ii) Purchase of goods from related parties

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

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

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

(iii) Other expenditures

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

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

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(iv) Lease

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

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

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

(v) Receivable from related parties

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

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

(vi) Payable to related parties

The payables to related parties were as follows:

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Key management personnel compensation

Key management personnel compensation comprised:

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

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

(8) Pledged assets:

The carrying values of pledged assets were as follows:

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

(9) Commitments and contingencies:None

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

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(12) Other:

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

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for 2020:

(i) Loans to other parties:

Unit: In thousand dollars of TWD and USD

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

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

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

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

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

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

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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(ii) Guarantees and endorsements for other parties:None

Unit: thousand dollars

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

Unit: thousand dollars/thousand shares

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

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

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

(In Thousands of New Taiwan Dollars)

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

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

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

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

Unit: In thousand dollars of TWD

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

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

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

Note 3: The transactions had been eliminated in the consolidated financial statements.

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

Unit: In Thousands of TWD

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

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

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

Note 3: Balance as of February 26, 2021.

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
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(ix) Trading in derivative instruments :Please refer to notes (6)(b) and (6)(d)

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

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

Note 1: The numbers filled in as follows:

- 1.0 represents the Company.
- 2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2: Transactions labeled as follows:

- 1 represents transactions between the parent company and its subsidiaries.
- 2 represents transactions between the subsidiaries and the parent company.
- 3 represents transactions between subsidiaries.

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Information on investees:

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

Unit: In thousands of TWD and USD and thousand shares

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

Note 2: The Group has owner control.

Note 3: The Group has significant influence.

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

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

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

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars US Dollars)

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

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

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

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

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

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

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

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

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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Limitation on investment in Mainland China:

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

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

(iii) Significant transactions:

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

(d) Major shareholders:

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

(14) Segment information:

(a) General information

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

(b) Reportable segments and operating segment information

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

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The operating segment information was as follows:

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Products information

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

(d) Geographic information

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

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

(ii) Non-current assets:

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

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

(e) Major customers information

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

5. Parent-Company-Only Financial Statements and Independent Auditors' Report



安侯建業聯合會計師事務所

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Independent Auditors' Report

To the Board of Directors of Arcadyan Technology Corporation:

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

1. Inventory valuation

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



Description of key audit matters:

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

How the matter was addressed in our audit:

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

2. Provisions

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

Description of key audit matters:

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

How the matter was addressed in our audit:

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

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

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

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

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



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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



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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

March 17, 2021

Notes to Readers

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

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

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

Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2020		December 31, 2019		December 31, 2020		December 31, 2019		
	Amount	%	Amount	%	Amount	%	Amount	%	
Assets									
Current assets:									
1100 Cash and cash equivalents (note (6)(a))	\$ 7,707,957	31	4,460,976	21	2100 Short-term borrowings (note (6)(k))	\$ 341,760	1	270,180	1
1110 Current financial assets at fair value through profit or loss (note (6)(b))	6,034	-	12,400	-	2120 Current financial liabilities at fair value through profit or loss (note (6)(b))	46,179	-	5,414	-
1139 Current financial assets for hedging (note (6)(d))	-	-	61	-	2126 Current financial liabilities for hedging (note (6)(d))	2,192	-	4,932	-
1170 Notes and account receivables, net (notes (6)(e) and (t))	4,888,924	20	3,355,418	16	2170 Accounts payable	5,161,935	21	3,911,744	18
1180 Account receivables from related parties, net (note (7))	1,397,881	6	3,765,782	17	2180 Accounts payable to related parties (note (7))	3,414,606	14	3,173,637	15
1200 Other receivables	71,155	-	80,819	-	2200 Other payables (note (7))	2,099,040	9	1,087,821	6
1210 Other receivables from related parties (note (7))	467,141	2	523,513	2	Current tax liabilities	331,198	1	388,093	2
1310 Inventories (note (6)(f))	4,946,818	20	4,106,296	19	Current provisions (note (6)(n))	235,477	1	182,737	1
1410 Prepayments	23,584	-	45,763	-	Current lease liabilities (note (6)(m))	2,670	-	86,879	-
1470 Other current assets (note (8))	85,360	-	89,744	1	Other current liabilities	518,933	2	170,447	1
	<u>19,594,854</u>	<u>79</u>	<u>16,440,772</u>	<u>76</u>		<u>12,153,990</u>	<u>49</u>	<u>9,281,884</u>	<u>44</u>
Non-current assets:					Non-current liabilities:				
1550 Investments accounted for using equity method (note (6)(g))	3,447,526	14	3,157,057	15	2530 Bonds payable (note (6)(l))	980,219	4	966,492	4
1511 Non-current financial assets at fair value through profit or loss (note (6)(b))	42,840	-	44,262	-	2570 Deferred income tax liabilities (note (6)(p))	89,378	-	55,716	-
1517 Non-current financial assets at fair value through other comprehensive income (note (6)(c))	31,135	-	49,500	-	2580 Non-current lease liabilities (note (6)(m))	1,150	-	1,816	-
1600 Property, plant and equipment (note (6)(h))	1,471,239	6	1,455,271	7	2640 Non-current net defined benefit liability (note (6)(o))	99,119	-	94,911	-
1755 Right-of-use assets (note (6)(i))	59,450	-	79,200	1	2650 Credit balance of investments accounted for using equity method (note(6)(g))	-	-	249,847	1
1780 Intangible assets (note (6)(j))	71,428	-	63,761	-	Other non-current liabilities	381	-	-	-
1840 Deferred income tax assets (note (6)(p))	189,473	1	245,703	1	Total liabilities	<u>1,170,247</u>	<u>4</u>	<u>1,368,782</u>	<u>5</u>
1900 Other non-current assets	25,653	-	19,866	-	Equity (notes (6)(l), (q) and (r)):	<u>13,324,237</u>	<u>53</u>	<u>10,650,666</u>	<u>49</u>
	<u>5,338,744</u>	<u>21</u>	<u>5,114,620</u>	<u>24</u>	Ordinary shares	2,084,095	8	2,085,350	10
					Capital surplus	3,661,594	15	3,703,916	17
					Retained earnings	6,106,197	25	5,335,400	25
					Exchange differences on translation of foreign financial statements	(176,362)	(1)	(95,172)	-
					Unrealized gain or loss on financial assets at fair value through other comprehensive income (note (6)(v))	(18,365)	-	-	-
					Gains (losses) on hedging instrument	(2,192)	-	(4,871)	-
					Unearned employee benefit	(45,606)	-	(119,897)	(1)
					Total equity	<u>11,609,361</u>	<u>47</u>	<u>10,904,726</u>	<u>51</u>
Total assets	<u>\$ 24,933,598</u>	<u>100</u>	<u>21,555,392</u>	<u>100</u>	Total liabilities and equity	<u>\$ 24,933,598</u>	<u>100</u>	<u>21,555,392</u>	<u>100</u>

See accompanying notes to financial statements.

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

Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, except net income per share amounts)

		2020		2019	
		Amount	%	Amount	%
4000	Operating Revenues (notes (6)(t) and (7)):				
4100	Net sales revenue	\$ 30,530,274	100	27,248,530	100
4800	Other operating revenue	<u>173,006</u>	-	<u>132,687</u>	-
		30,703,280	100	27,381,217	100
5000	Operating costs (notes (6)(f), (6)(o), (7) and (12))	<u>26,446,989</u>	<u>86</u>	<u>23,520,056</u>	<u>86</u>
	Gross profit from operating	4,256,291	14	3,861,161	14
5910	Unrealized profit from sales	<u>(293,102)</u>	<u>(1)</u>	<u>320,345</u>	<u>1</u>
		<u>4,549,393</u>	<u>15</u>	<u>3,540,816</u>	<u>13</u>
	Operating expenses (notes (6)(o), (7) and (12)):				
6100	Selling expenses	387,244	1	465,888	2
6200	Administrative expenses	409,131	1	347,637	1
6300	Research and development expenses	<u>1,451,209</u>	<u>5</u>	<u>1,175,721</u>	<u>4</u>
	Total operating expenses	<u>2,247,584</u>	<u>7</u>	<u>1,989,246</u>	<u>7</u>
	Net operating income	<u>2,301,809</u>	<u>8</u>	<u>1,551,570</u>	<u>6</u>
	Non-operating income and expenses:				
7100	Interest income	26,774	-	23,313	-
7230	Foreign exchange gains and losses, net	3,558	-	(126,589)	-
7225	Gains on disposals of investments	985	-	-	-
7375	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method (note (6)(g))	51,929	-	53,550	-
7010	Other income	4,434	-	3,491	-
7510	Interest expense (note (6)(l))	(23,805)	-	(15,670)	-
7635	Gains on financial assets (liabilities) at fair value through profit or loss (notes (6)(b) and (6)(d))	<u>(16,642)</u>	<u>-</u>	<u>84,585</u>	<u>-</u>
		<u>47,233</u>	<u>-</u>	<u>22,680</u>	<u>-</u>
	Profit from continuing operations before tax	2,349,042	8	1,574,250	6
7950	Less: Income tax expenses (note (6)(p))	<u>635,100</u>	<u>2</u>	<u>260,752</u>	<u>1</u>
	Profit	<u>1,713,942</u>	<u>6</u>	<u>1,313,498</u>	<u>5</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans (note (6)(o))	(6,214)	-	(8,141)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(18,365)	-	-	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(p))	<u>(1,243)</u>	<u>-</u>	<u>(1,628)</u>	<u>-</u>
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>(23,336)</u>	<u>-</u>	<u>(6,513)</u>	<u>-</u>
8360	Components of other comprehensive income (loss) that may be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(102,511)	(1)	(51,437)	-
8368	Gains (losses) on hedging instrument (note (6)(d))	2,679	-	(4,871)	-
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	82	-	(101)	-
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note (6)(p))	<u>(21,239)</u>	<u>-</u>	<u>(10,050)</u>	<u>-</u>
	Components of other comprehensive income that may be reclassified to profit or loss	<u>(78,511)</u>	<u>(1)</u>	<u>(46,359)</u>	<u>-</u>
8300	Other comprehensive income	<u>(101,847)</u>	<u>(1)</u>	<u>(52,872)</u>	<u>-</u>
	Total comprehensive income	<u>\$ 1,612,095</u>	<u>5</u>	<u>1,260,626</u>	<u>5</u>
	Earnings per share (note (6)(s))				
9750	Basic earnings per share	<u>\$ 8.36</u>		<u>6.85</u>	
9850	Diluted earnings per share	<u>\$ 7.77</u>		<u>6.51</u>	

See accompanying notes to financial statements.

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

ARCADYAN TECHNOLOGY CORPORATION

Statements of Changes in Equity

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

	Retained earnings						Total retained earnings	Total other equity interest					Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings		Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Unearned employee benefit and others	Total other equity interest	
Balance at January 1, 2019	\$ 1,936,190	2,794,174	763,392	79,288	3,766,400	4,609,080	(53,684)	-	-	-	(219,616)	(273,300)	9,066,144
Profit for the year ended December 31, 2019	-	-	-	-	1,313,498	1,313,498	-	-	-	-	-	-	1,313,498
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	(6,513)	(6,513)	(41,488)	(4,871)	(4,871)	-	(46,359)	(46,359)	(52,872)
Comprehensive income for the year ended December 31, 2019	-	-	-	-	1,306,985	1,306,985	(41,488)	(4,871)	(4,871)	-	(46,359)	(46,359)	1,260,626
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	87,152	-	(87,152)	-	-	-	-	-	-	-	-
Special reserve reversed	-	-	-	(25,604)	25,604	-	-	-	-	-	-	-	-
Cash dividends of ordinary shares	-	(96,778)	-	-	(580,665)	(580,665)	-	-	-	-	-	-	(677,443)
Capital increase by cash	150,000	930,000	-	-	-	-	-	-	-	-	-	-	1,080,000
Issuance of convertible bonds	-	48,667	-	-	-	-	-	-	-	-	-	-	48,667
Changes in equity of associates and subsidiaries accounted for using equity method	-	13	-	-	-	-	-	-	-	-	-	-	13
Share-based payments	(844)	27,840	-	-	-	-	-	-	-	-	-	-	26,996
Balance at December 31, 2019	2,085,350	3,703,916	850,544	53,684	4,431,172	5,335,400	(95,172)	-	(4,871)	(99,719)	(219,940)	(219,940)	10,904,726
Profit for the year ended December 31, 2020	-	-	-	-	1,713,942	1,713,942	-	-	-	-	-	-	1,713,942
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	(4,971)	(4,971)	(81,190)	2,679	2,679	-	(96,876)	(96,876)	(101,847)
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	1,708,971	1,708,971	(81,190)	(18,565)	2,679	-	(96,876)	(96,876)	1,612,095
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	131,350	-	(131,350)	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	41,488	(41,488)	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(938,174)	(938,174)	-	-	-	-	-	-	(938,174)
Cash dividends from capital surplus	-	(41,696)	-	-	-	-	-	-	-	-	-	-	(41,696)
Change in equity of associates and subsidiaries accounted for using equity method	-	(150)	-	-	-	-	-	-	-	-	-	-	(150)
Disposal of subsidiaries or investments accounted for using equity method	-	(985)	-	-	-	-	-	-	-	-	-	-	(985)
Share-based payment transactions	(1,255)	509	-	-	-	-	-	-	-	74,291	(45,606)	74,291	73,545
Balance at December 31, 2020	2,084,095	3,661,594	981,894	95,172	5,029,131	6,106,197	(176,362)	(18,565)	(2,192)	(45,606)	(242,525)	(242,525)	11,609,361

Balance at January 1, 2019

Profit for the year ended December 31, 2019
Other comprehensive income for the year ended December 31, 2019
Comprehensive income for the year ended December 31, 2019
Appropriation and distribution of retained earnings:

Legal reserve appropriated
Special reserve reversed
Cash dividends of ordinary shares
Capital increase by cash
Issuance of convertible bonds
Changes in equity of associates and subsidiaries accounted for using equity method
Share-based payments

Balance at December 31, 2019

Profit for the year ended December 31, 2020
Other comprehensive income for the year ended December 31, 2020
Total comprehensive income for the year ended December 31, 2020
Appropriation and distribution of retained earnings:

Legal reserve appropriated
Special reserve appropriated
Cash dividends of ordinary share
Cash dividends from capital surplus
Change in equity of associates and subsidiaries accounted for using equity method
Disposal of subsidiaries or investments accounted for using equity method
Share-based payment transactions

Balance at December 31, 2020

See accompanying notes to financial statements.

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

ARCADYAN TECHNOLOGY CORPORATION

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 2,349,042	1,574,250
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	104,351	95,588
Amortization expense	29,261	31,186
Expected credit loss (gain)	2,177	(4,171)
Interest expense	23,805	15,670
Interest income	(26,774)	(23,313)
Net loss on financial assets or liabilities at fair value through profit or loss	1,422	1,383
Share-based payments	73,545	126,719
Share of profit of associates and joint ventures accounted for using equity method	(51,929)	(53,550)
Loss (gain) on disposal of property, plant and equipment	45	(325)
Gain on disposal of investments	(985)	-
Unrealized profit from sales	(293,102)	320,345
Total adjustments to reconcile profit (loss)	<u>(138,184)</u>	<u>509,532</u>
Changes in operating assets and liabilities:		
Net loss (gain) on financial assets or liabilities mandatorily measured at fair value through profit or loss	47,131	24,942
Decrease (increase) in notes and account receivables	(1,535,743)	636,128
Decrease (increase) in accounts receivable from related parties	2,367,901	(1,947,562)
Decrease (increase) in other receivable	58,686	(465,725)
Increase in inventories	(840,522)	(929,514)
Decrease (increase) in prepayments	22,179	(2,463)
Decrease (increase) in other current assets	4,384	(2,387)
Increase in account payables	1,491,160	1,583,698
Increase in other payables and other current liabilities	1,422,752	568,669
Decrease in other operating liabilities	(2,006)	(1,796)
Total changes in operating assets and liabilities	<u>3,035,922</u>	<u>(536,010)</u>
Total adjustments	<u>2,897,738</u>	<u>(26,478)</u>
Cash inflow generated from operations	5,246,780	1,547,772
Interest received	26,770	21,994
Dividends received	7,742	57,011
Interest paid	(10,257)	(8,117)
Income taxes paid	(579,621)	(210,432)
Net cash flows from operating activities	<u>4,691,414</u>	<u>1,408,228</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	-	(49,500)
Acquisition of investments accounted for using equity method	(298,192)	(823,505)
Acquisition of property, plant and equipment	(108,225)	(70,487)
Proceeds from disposal of property, plant and equipment	73	1,095
Acquisition of intangible assets	(36,515)	(39,814)
Increase in other non-current assets	(5,787)	(3,810)
Net cash flows used in investing activities	<u>(448,646)</u>	<u>(986,021)</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	71,580	(159,830)
Cash dividends paid	(979,876)	(677,441)
Capital increase by cash	-	1,080,000
Issuance of convertible bonds	-	1,007,240
Repayment of lease principal	(87,872)	(6,933)
Other financing activities	381	-
Net cash flows from (used in) financing activities	<u>(995,787)</u>	<u>1,243,036</u>
Net increase in cash and cash equivalents	3,246,981	1,665,243
Cash and cash equivalents at beginning of period	4,460,976	2,795,733
Cash and cash equivalents at end of period	<u>\$ 7,707,957</u>	<u>4,460,976</u>

See accompanying notes to financial statements.

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

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

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

(1) Company history

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

The Company is primarily engaged in the research, development, manufacture and sale of wireless networking products, integrated access devices, digital home multimedia device and mobile broadband products.

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

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

(3) New standards, amendments and interpretations adopted:

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2020:

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

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

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

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

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currencies

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

(c) Foreign currencies

(i) Foreign currency transactions

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

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

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

(ii) Foreign operations

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

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

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

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

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

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

(e) Cash and cash equivalents

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

(f) Financial instruments

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

(i) Financial assets

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

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

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

1) Financial assets measured at amortized cost

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

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

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

4) Impairment of financial assets

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

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION

Notes to the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

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

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

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

5) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

2) Equity instrument

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

3) Financial liabilities

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

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

4) Derecognition of financial liabilities

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

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

5) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments and hedge accounting

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

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

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

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ARCADYAN TECHNOLOGY CORPORATION

Notes to the Financial Statements

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

1) Cash flow hedges

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

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

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

(g) Inventories

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

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION

Notes to the Financial Statements

(h) Investment in associates

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

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

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

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

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

(i) Investments in subsidiaries

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

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

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

(iii) Depreciation

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

Land is not depreciated.

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

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

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

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

(k) Lease

(i) Identifying a lease

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

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION

Notes to the Financial Statements

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

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

(ii) As a lessee

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

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

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

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

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

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

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

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

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

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

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

(l) Intangible assets

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

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

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

(m) Impairment of non-financial assets

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

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

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

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

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

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

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(n) Provisions

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

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

(o) Revenue from contracts with customers

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

(i) Sale of goods

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

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

(ii) Financing components

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

(p) Employee benefits

(i) Defined contribution plans

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

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(ii) Defined benefit plans

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

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

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

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

(iii) Short term employee benefits

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

(q) Share-based payment

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

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Notes to the Financial Statements

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

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

(r) Income Taxes

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

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

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

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

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

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

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

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

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

(s) Business combination

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

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

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

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

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

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

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Notes to the Financial Statements

(t) Earnings per share

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

(u) Operating segments

Please refer to the Company's consolidated financial statements for the years ended December 31, 2020 and 2019, for further details.

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

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

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

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

Information about assumptions and estimation uncertainties made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements, and those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic, is as follows:

(a) Inventory valuation

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

(b) Recognition and measurement of provisions

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

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Notes to the Financial Statements

(6) Explanation of significant accounts:

(a) Cash and cash Equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand	\$ 1,416	1,690
Checking accounts and demand deposits	2,706,541	1,459,286
Time deposits	<u>5,000,000</u>	<u>3,000,000</u>
	<u>\$ 7,707,957</u>	<u>4,460,976</u>

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

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current financial assets mandatorily measured at fair value through profit or loss:		
Derivative instruments not used for hedging:		
Foreign exchange swaps contracts	<u>\$ 6,034</u>	<u>12,400</u>
Non-current financial assets mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets:		
Fund unlisted on domestic markets	<u>\$ 42,840</u>	<u>44,262</u>
Held-for-trading financial liabilities:		
Derivative instrument not used for hedging:		
Foreign exchange forward contracts	\$ 43,896	5,414
Foreign exchange swaps contracts	<u>2,283</u>	<u>-</u>
	<u>\$ 46,179</u>	<u>5,414</u>

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

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Notes to the Financial Statements

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

December 31, 2019			
	Contract amount (in thousands)	Currency	Maturity date
Derivative financial assets			
Swap contracts:			
Forward exchange swaps	USD 46,000	B/S USD/TWD	February 14, 2020~ March 30, 2020
Derivative financial liabilities			
Forward contracts:			
Foreign exchange forward	EUR 17,000	Sell EUR/USD	January 14, 2020~ March 13, 2020
Foreign exchange forward	USD 1,000	Buy USD/BRL	September 23, 2020

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

As of December 31, 2020 and 2019, the Company did not provide any aforementioned financial assets as collaterals.

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

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

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Notes to the Financial Statements

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

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

- (ii) Cash flow hedge-foreign exchange risk

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

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

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

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Notes to the Financial Statements

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

(iii) Adjustments on reclassification from other comprehensive income

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

	2020	2019
Cash flow hedge		
Profit (loss) in current year	\$ (1,736)	(26,649)
Less: net income (loss) of adjustments	(4,415)	(21,778)
On reclassification from other comprehensive income which belongs to net income (loss)	\$ 2,679	(4,871)

(iv) For the years ended December 31, 2020 and 2019, the ineffective portion of cash flow hedge recognized in loss amounted of \$(1,080) and \$(5,934), respectively, recorded under the “Gain (losses) on financial assets (liabilities) at fair value through profit or loss”.

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

(e) Notes and accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable from operating activities	\$ 17,574	7,981
Accounts receivable – measured at amortized cost	4,896,183	3,370,033
	4,913,757	3,378,014
Less: allowance for uncollectible accounts	(24,833)	(22,596)
	\$ 4,888,924	3,355,418

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Notes to the Financial Statements

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

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

December 31, 2019				
Credit rating	Gross carrying amount	Weighted-average loss rate	Loss allowance provision	Credit impaired
Level A	\$ 1,643,542	0%	-	No
Level B	1,572,744	0.1%	1,602	No
Level C	142,156	1%	1,422	No
Level D~E	-	-	-	-
Level F	19,572	100%	19,572	Yes
Total	\$ 3,378,014		22,596	

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

	December 31, 2020	December 31, 2019
Overdue 1~30 days	\$ 364,043	335,533
Overdue 31~60 days	55,096	35,637
Overdue 61~90 days	-	19,408
Overdue 91~180 days	26	1,880
Overdue over 181 days	18,568	19,771
	\$ 437,733	412,229

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

	2020	2019
Balance at January 1	\$ 22,596	26,750
Impairment losses recognized (reversed)	2,237	(4,154)
Balance at December 31	\$ 24,833	22,596

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

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Notes to the Financial Statements

(f) Inventories

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Raw materials	\$ 1,669,801	1,642,946
Work in progress	-	893
Finished goods	<u>3,277,017</u>	<u>2,462,457</u>
	<u><u>\$ 4,946,818</u></u>	<u><u>4,106,296</u></u>

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

	<u>2020</u>	<u>2019</u>
Cost of sales	\$ 26,205,769	23,320,966
Provision for inventory valuation loss and obsolescence	<u>241,220</u>	<u>199,090</u>
	<u><u>\$ 26,446,989</u></u>	<u><u>23,520,056</u></u>

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

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

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries	\$ 3,418,130	2,884,851
Associates	<u>13,204</u>	<u>13,581</u>
	3,431,334	2,898,432
Add: Recorded as credit balance of investment accounted for using equity method	-	249,847
Recorded as deduction of other receivable from related parties	<u>16,192</u>	<u>8,778</u>
	<u><u>\$ 3,447,526</u></u>	<u><u>3,157,057</u></u>

(i) Subsidiaries

Please refer to the 2020 consolidated financial statements for the year ended December 31, 2020. As of December 31, 2019, the credit balance of investment accounted for using equity method was due to unrealized gross profit on write off of certain subsidiaries.

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Notes to the Financial Statements

(ii) Associates

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

	December 31, 2020	December 31, 2019
Carrying amount of the Company's interests in all individually insignificant associates' equity	\$ 13,204	13,581

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

	2020	2019
Attributable to the Company:		
Profit (loss) from continuing operations	\$ 372	85
Other comprehensive income (loss)	4	(4)
Total comprehensive income	\$ 376	81

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

(h) Property, plant and equipment

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

	Land	Buildings and construction	Machinery and equipment	Research and development equipment	Molding equipment	Other equipment	Under construction and prepayment for purchase of equipment	Total
Cost or deemed cost:								
Balance at January 1, 2020	\$ 463,262	828,128	212,768	403,086	142,454	237,912	15,665	2,303,275
Additions	-	-	-	60,763	8,019	13,489	19,048	101,319
Reclassifications	-	-	-	3,960	-	1,320	(8,909)	(3,629)
Disposals and derecognitions	-	-	(15,349)	(4,723)	(59,521)	(10,497)	-	(90,090)
Balance at December 31, 2020	\$ 463,262	828,128	197,419	463,086	90,952	242,224	25,804	2,310,875
Balance at January 1, 2019	\$ 463,262	828,128	214,279	345,541	143,349	228,106	14,332	2,236,997
Additions	-	-	-	57,690	873	11,327	12,416	82,306
Reclassifications	-	-	-	4,630	-	-	(11,083)	(6,453)
Disposals and derecognitions	-	-	(1,511)	(4,775)	(1,768)	(1,521)	-	(9,575)
Balance at December 31, 2019	\$ 463,262	828,128	212,768	403,086	142,454	237,912	15,665	2,303,275
Depreciation:								
Balance at January 1, 2020	\$ -	81,607	212,216	284,653	139,363	130,165	-	848,004
Depreciation	-	17,068	278	36,288	3,439	24,531	-	81,604
Disposals and derecognitions	-	-	(15,341)	(4,642)	(59,492)	(10,497)	-	(89,972)
Balance at December 31, 2020	\$ -	98,675	197,153	316,299	83,310	144,199	-	839,636
Balance at January 1, 2019	\$ -	64,539	213,312	257,185	134,884	107,729	-	777,649
Depreciation	-	17,068	409	31,480	6,246	23,957	-	79,160
Disposals and derecognitions	-	-	(1,505)	(4,012)	(1,767)	(1,521)	-	(8,805)
Balance at December 31, 2019	\$ -	81,607	212,216	284,653	139,363	130,165	-	848,004

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Notes to the Financial Statements

	Land	Buildings and construction	Machinery and equipment	Research and development equipment	Molding equipment	Other equipment	Under construction and prepayment for purchase of equipment	Total
Carrying amounts:								
Balance at December 31, 2020	\$ 463,262	729,453	266	146,787	7,642	98,025	25,804	1,471,239
Balance at January 1, 2019	\$ 463,262	763,589	967	88,356	8,465	120,377	14,332	1,459,348
Balance at December 31, 2019	\$ 463,262	746,521	552	118,433	3,091	107,747	15,665	1,455,271

As of December 31, 2020 and 2019, the Company did not provide any Company's property, plant and equipment as collaterals.

(i) Right-of-use assets

The cost, depreciation, of the right-of-use and of the Company, including machinery and equipment and vehicles, for the years ended December 31, 2020 and 2019 were as follow:

	Machinery and Equipment	Vehicles and Other	Total
Cost:			
Balance at January 1, 2020	\$ 81,081	14,547	95,628
Additions	-	2,997	2,997
Disposals	-	(6,896)	(6,896)
Balance at December 31, 2020	\$ 81,081	10,648	91,729
Balance at January 1, 2019	\$ -	6,896	6,896
Additions	81,081	7,651	88,732
Balance at December 31, 2019	\$ 81,081	14,547	95,628
Depreciation:			
Balance at January 1, 2020	\$ 9,459	6,969	16,428
Depreciation	16,216	6,531	22,747
Disposals	-	(6,896)	(6,896)
Balance at December 31, 2020	\$ 25,675	6,604	32,279
Balance at January 1, 2019	\$ -	-	-
Depreciation	9,459	6,969	16,428
Balance at December 31, 2019	\$ 9,459	6,969	16,428
Carrying amount:			
Balance at December 31, 2020	\$ 55,406	4,044	59,450
Balance at January 1, 2019	\$ -	6,896	6,896
Balance at December 31, 2019	\$ 71,622	7,578	79,200

(Continued)

ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

(j) Intangible Assets

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

	<u>Goodwill</u>	<u>Authorization fee</u>	<u>Computer software and others</u>	<u>Total</u>
Cost:				
Balance at January 1, 2020	\$ 6,556	51,016	86,807	144,379
Additions	-	-	36,515	36,515
Reclassifications	-	-	413	413
Disposals	-	-	(102)	(102)
Balance at December 31, 2020	<u>\$ 6,556</u>	<u>51,016</u>	<u>123,633</u>	<u>181,205</u>
Balance at January 1, 2019	\$ 6,556	50,515	65,401	122,472
Additions	-	501	39,313	39,814
Disposals	-	-	(17,907)	(17,907)
Balance at December 31, 2019	<u>\$ 6,556</u>	<u>51,016</u>	<u>86,807</u>	<u>144,379</u>
Accumulated amortization:				
Balance at January 1, 2020	\$ -	35,037	45,581	80,618
Amortization	-	4,705	24,556	29,261
Disposals	-	-	(102)	(102)
Balance at December 31, 2020	<u>\$ -</u>	<u>39,742</u>	<u>70,035</u>	<u>109,777</u>
Balance at January 1, 2019	\$ -	28,155	39,184	67,339
Amortization	-	6,882	24,304	31,186
Disposals	-	-	(17,907)	(17,907)
Balance at December 31, 2019	<u>\$ -</u>	<u>35,037</u>	<u>45,581</u>	<u>80,618</u>
Book value:				
Balance at December 31, 2020	<u>\$ 6,556</u>	<u>11,274</u>	<u>53,598</u>	<u>71,428</u>
Balance at January 1, 2019	<u>\$ 6,556</u>	<u>22,360</u>	<u>26,217</u>	<u>55,133</u>
Balance at December 31, 2019	<u>\$ 6,556</u>	<u>15,979</u>	<u>41,226</u>	<u>63,761</u>

(i) Amortization expenses

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

	<u>2020</u>	<u>2019</u>
Operating costs	<u>\$ 2,239</u>	<u>3,601</u>
Operating expenses	<u>\$ 27,022</u>	<u>27,585</u>

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

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Notes to the Financial Statements

(k) Short-term borrowings

	December 31, 2020	December 31, 2019
Unsecured bank loans	<u>\$ 341,760</u>	<u>270,180</u>
Unused credit line for short-term borrowings	<u>\$ 5,174,111</u>	<u>5,245,438</u>
Annual interest rates	<u>0.25%~2.20%</u>	<u>2.10%~2.87%</u>

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

(l) Unsecured convertible bonds payable

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

	December 31, 2020	December 31, 2019
Total convertible corporate bonds issued	\$ 1,000,000	1,000,000
Unamortized discounted on corporate bonds payable	(18,527)	(31,383)
Unamortized issuance cost on corporate bonds payable	(1,254)	(2,125)
Balance of bonds payable as of the reporting date	<u>\$ 980,219</u>	<u>966,492</u>
Conversion options included in equity component (recognized as capital surplus - stock options)	<u>\$ 48,667</u>	<u>48,667</u>
	2020	2019
Interest expenses	<u>\$ 13,727</u>	<u>7,919</u>

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

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

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

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

ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

4) Terms of conversion:

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

(m) Lease liabilities

The details of lease liabilities were as follows:

	December 31, 2020	December 31, 2019
Current	\$ <u>2,670</u>	<u>86,879</u>
Non-current	\$ <u>1,150</u>	<u>1,816</u>

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

The amounts recognized in profit or loss were as follows:

	2020	2019
Interest on lease liabilities	\$ <u>82</u>	<u>112</u>
Expenses relating to short-term leases	\$ <u>10,709</u>	<u>11,794</u>

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

	2020	2019
Total cash outflow for leases	\$ <u>98,663</u>	<u>18,839</u>

(i) Machinery and vehicles lease

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

(ii) Other leases

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

(n) Provisions

	Warranties
Balance at January 1, 2020	\$ 182,737
Provisions made	120,185
Provisions used	(67,445)
Balance at December 31, 2020	\$ 235,477
Balance at January 1, 2019	\$ 175,023
Provisions made	100,032
Provisions used	(92,318)
Balance at December 31, 2019	\$ 182,737

Provisions for warranty related to sales of products are assessed based on the historical experience.

(o) Employee benefits

(i) Defined benefit plans

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

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

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

1) Composition of plan assets

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

(Continued)

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

2) Movements in present value of the defined benefit obligations

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

	<u>2020</u>	<u>2019</u>
Balance at January 1	\$ 216,618	201,154
Current service costs and interest	3,293	3,834
Actuarial gains (losses)	<u>9,849</u>	<u>11,630</u>
Balance at December 31	<u><u>\$ 229,760</u></u>	<u><u>216,618</u></u>

3) Movements of defined benefit plan assets

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

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

4) Expenses recognized in profit or loss

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

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

5) Actuarial gains and losses recognized in other comprehensive income

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

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

6) Actuarial assumptions

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

i) Present value of defined benefit obligations

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

ii) Defined benefit plan cost

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

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

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

7) Sensitivity analysis

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

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

(Continued)

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Notes to the Financial Statements

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

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

- 8) There were no payment for pension made by the Company for the years ended December 31, 2020 and 2019.

(ii) Defined contribution plans

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

The Company recognized the pension costs under the defined contribution method amounting to \$38,803 and \$35,261 for the years ended December 31, 2020 and 2019, respectively. Payment was made to the Bureau of Labor Insurance.

(p) Income taxes

(i) Income tax expense

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

	2020	2019
Current tax expense		
Recognized during the period	\$ 565,266	437,097
Additional tax on undistributed earnings	10,114	11,465
Adjustment for prior periods	(52,654)	(60,198)
	522,726	388,364
Deferred tax expense		
Origination and reversal of temporary differences	112,374	(127,612)
Income tax expense	\$ 635,100	260,752

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

	2020	2019
Foreign currency translation differences for foreign operations	\$ (21,239)	(10,050)
Defined benefit plan actuarial gains (losses)	(1,243)	(1,628)
	\$ (22,482)	(11,678)

(Continued)

ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

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

	<u>2020</u>	<u>2019</u>
Profit before income tax	\$ 2,349,042	1,574,250
Income tax using the Company's domestic tax rate	469,808	314,850
Tax-exempt net profit and loss from investment	23,276	(13,835)
Changes in unrecognized temporary differences	175,551	1,375
Over provision in prior periods	(52,654)	(60,198)
Additional tax on undistributed earnings	10,114	11,465
Others	9,005	7,095
	<u>\$ 635,100</u>	<u>260,752</u>

(ii) Deferred tax assets and liabilities

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

Details of unrecognized deferred tax assets are as follows:

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Tax effect of deductible temporary differences	\$ 208,793	33,242

The management considered that the temporary differences would probably not be reversed in the foreseeable future. Therefore, such temporary differences were not recognized as deferred tax assets.

- 3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities were as follows:

	<u>Investment income</u> <u>recognized under the equity</u> <u>method (overseas)</u>
Deferred Tax Liabilities:	
Balance at January 1, 2020	\$ 55,716
Recognized in profit or loss	33,662
Balance at December 31, 2020	<u>\$ 89,378</u>
Balance at January 1, 2019	\$ 58,840
Recognized in profit or loss	(3,124)
Balance at December 31, 2019	<u>\$ 55,716</u>

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Notes to the Financial Statements

	<u>Defined benefit plans</u>	<u>Foreign currency translation adjustment</u>	<u>Loss on inventory valuation</u>	<u>Unrealized exchange gains and losses, net</u>	<u>Unrealized gross profit</u>	<u>Others</u>	<u>Total</u>
Deferred Tax Assets:							
Balance at January 1, 2020	\$ 13,114	23,061	49,391	55,401	68,146	36,590	245,703
Recognized in profit or loss	-	-	(24,313)	(14,653)	(58,620)	18,874	(78,712)
Recognized in other comprehensive income	1,243	21,239	-	-	-	-	22,482
Balance at December 31, 2020	<u>\$ 14,357</u>	<u>44,300</u>	<u>25,078</u>	<u>40,748</u>	<u>9,526</u>	<u>55,464</u>	<u>189,473</u>
Balance at January 1, 2019	\$ 11,486	13,011	13,505	33,762	4,077	33,696	109,537
Recognized in profit or loss	-	-	35,886	21,639	64,069	2,894	124,488
Recognized in other comprehensive income	1,628	10,050	-	-	-	-	11,678
Balance at December 31, 2019	<u>\$ 13,114</u>	<u>23,061</u>	<u>49,391</u>	<u>55,401</u>	<u>68,146</u>	<u>36,590</u>	<u>245,703</u>

(iii) The ROC tax authorities have examined the income tax expenses of the Company through 2018.

(q) Capital and other equities

For the years ended December 31, 2020 and 2019, the authorized common stocks were both \$3,000,000 of which 208,409 thousand shares and 208,535 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

(i) Ordinary shares

Reconciliation of shares outstanding for 2020 and 2019 were as follows:

(in thousands of shares)	<u>Ordinary shares</u>	
	<u>2020</u>	<u>2019</u>
Balance on January 1	208,535	193,619
Issued for cash	-	15,000
Cancellation of employee restricted shares	(126)	(84)
Balance on December 31	<u>208,409</u>	<u>208,535</u>

In 2018, the Company issued its employee restricted shares amounting to \$45,000, wherein the amount of \$1,225 and \$840, respectively, had been cancelled due to failure in meeting the vested requirements on January 1, 2020 and 2019. As of December 31, 2020, the registration procedure had been completed.

In order to enrich its working capital, the Company's Board of Directors resolved to issue 15,000 thousand ordinary shares with a par valued at \$10, totaling of \$150,000 on April 9, 2019. The issuance had been applied and was effective in accordance with the Rule No.1080314862 issued by the FSC on May 21, 2019, and extended offering period in accordance with the Rule No. 1080327573 granted by the FSC on August 19, 2019. Among the issuance, 1,500 thousand shares were reserved for employee subscription in accordance with Article 267 of Company Act.

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On September 24, 2019, The Company announced the subscription effective date as October 29, 2019. On October 16, 2019, the Company announced the issuance price as TWD72 per share. All related registration procedures had been completed.

(ii) Capital surplus

The balances of capital surplus were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Additional paid-in capital	\$ 3,488,459	3,436,118
Difference between consideration and carry amount arising from acquisition or disposal of subsidiaries	3,698	3,698
Changes in equity of associates and joint ventures accounted for using equity method	5,602	6,737
Issuance of convertible bonds	48,667	48,667
Issuance of employee restricted shares	<u>115,168</u>	<u>208,696</u>
	<u>\$ 3,661,594</u>	<u>3,703,916</u>

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

The Company's Board of Directors meeting held on March 17, 2020, approved to distribute the cash dividend of \$41,696 (\$0.2 per share) through capital surplus.

The resolution of shareholders' meeting decided to distribute the cash dividends amounting to \$96,778 (\$0.5 per share) through capital surplus on June 25, 2019.

The Company's Board of Directors meeting held on March 17, 2021, approved to distribute the cash dividend of \$208,391 (\$1.0 per share) through capital surplus. The related information can be accessed through the Market Observation Post System website after the meeting.

(iii) Retained earnings

The Company's article of incorporation, amended on June 25, 2019, stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve. The legal reserve can be exempted if it equals the paid-in capital, besides, special reserves are supposed to be set aside or reversed in accordance with the relevant regulations or as required by the government. And then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors.

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The retained earnings distributed to stockholders should be approved by the Board of Directors which is authorized by the Company's article of incorporation. The Company authorized the Board of Directors with two-thirds or more of attendance, over half of those to approve issuing all or part of dividends, capital surplus or legal reserve by cash, and reporting to the stockholders' meeting.

The prior Company's article of incorporation before amended on June 25, 2019, stipulated that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve. The legal reserve can be exempted if it equals the paid-in capital, besides, special reserves are supposed to be set aside or reversed in accordance with the relevant regulations or as required by the government. And then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

According to the Company's stable dividend policy, the type of dividends should be determined after considering the business environment, operating performance, financial structure, etc. If retained earnings shall be distributed to stockholders which shall not be lower than 30% of the profit and the cash dividends to stockholders shall not be lower than 10% of total cash and stock dividends.

1) Legal reserve

In accordance with the Company Act, 10 percent of net income after tax should be set aside as legal reserve, until it is equal to authorized capital. When a company incurs no loss, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 percent of the paid-in capital.

2) Special reserve

A portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the total net current-period reduction of other shareholders' equity resulting from the carrying amount of special earnings reserve as stated above. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

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(iv) Earnings distributed

Earnings distribution for 2019 and 2018 was approved by the Board of Directors meeting held on March 17, 2020, and the shareholders during their annual meeting held on June 25, 2019, respectively. The relevant dividend distribution to shareholders were as follows:

	2019		2018	
	Amount per share	Total amount	Amount per share	Total amount
Cash dividends distributed to common shareholders	\$ 4.50	938,174	3.0	580,665

The earnings distribution for year 2020 approved by the Board of Directors meeting held on March 17, 2021 was as follows:

	2020	
	Amount per share (dollars)	Total amount
Cash dividends distributed to commons shareholders from unappropriated earnings	\$ 5.50	1,146,148

The related information of the earnings distribution for year 2020, can be accessed through the Market Observation Post System website after the meeting.

(r) Share-based payment

(i) Employee restricted share

At the meeting held on June 21, 2018, the Company's Board of Directors decided to issue 4,500 thousand shares of employee restricted shares to the Company's full-time employees who meet certain requirements. The restricted shares have been registered with, and approved by, the Securities and Futures Bureau of FSC. The Board of Directors decided to issue all the restricted shares on November 6, 2018, which is also the effective date of the share issuance.

3,500,000 shares of the aforementioned restricted shares are issued without consideration. 30%, 30% and 40% of the 3,500,000 restricted shares are vested when the employees continue to provide service for at least 2 year, 3 years and 4 years, respectively, from the registration and the effective date, and at the same time, meet the performance requirement. In addition, when earnings per share in two consecutive and complete fiscal years from the registration and effective date are no less than NT\$ 4, and at the same time, the employees with the restricted shares meet the performance requirement, the other 1,000,000 shares of the restricted shares are vested 100% at the date the shareholders approved the financial statements for the second fiscal year. If the earnings per share in two consecutive and complete fiscal years from the registration and effective date are between NT\$ 3 to NT\$ 4, at the same time, the employees with the restricted shares meet the performance requirement, the restricted shares are vested 75% at the date the shareholders approved the financial statements for the second fiscal year. If the earnings per share in two consecutive and complete fiscal years from the registration and effective date are less than NT\$ 3, the employees with restricted shares, whether or not they

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meet the performance requirement, no restricted shares are vested at the date the shareholders approved the financial statements for the second fiscal year. The earnings per share mentioned above are calculated based on the profit approved by the shareholders and the weighted average number of ordinary shares outstanding at the date of the restricted shares have been approved by the authority.

After the issuance, the restricted shares are kept by a trust, which is appointed by the Company, before they are vested. These restricted shares shall not be sold, transferred, pledged, gifted, or disposed by any other means, to third parties during the custody period. The voting rights of these shares are executed by the custodian, and the custodian shall act based on the law and regulations. If the shares remain unvested after the vesting period, the Company will redeem all the unvested shares without consideration and cancel the shares thereafter. Restricted shares could be received in cash and stock dividends, or could be used to participate in cash injection. The aforementioned new shares are not considered as restricted shares.

The information of the Company's restricted shares is as follows:

	Unit: in thousands of shares	
	<u>2020</u>	<u>2019</u>
Outstanding unit at January 1	4,416	4,500
Canceled during the period	(126)	(84)
Granted during the period	<u>(1,984)</u>	<u>-</u>
Outstanding unit at December 31	<u><u>2,306</u></u>	<u><u>4,416</u></u>

As of December 31, 2020 and 2019, the unearned employee benefit were \$45,606 and \$119,897, respectively.

The compensation cost related to the restricted share were \$73,545 and \$99,719 for the years ended December 31, 2020 and 2019.

(ii) Cash injection reserved for employees

The Company's Board of Directors resolved to implement cash injection on April 9, 2019, of which 1,500 thousand shares were reserved for employees. The relevant information was as follows:

Grant date	2019.10.16
Number of shares granted (in thousands)	1,500
Granted recipients	(Note 1)
Vested condition	Vest immediately

(Note 1) The Company's full-time employees who meet certain requirements.

The compensation cost, recorded as operating expense and cost of sales related to the cash injection reversed for employees, amounted to \$27,000 in 2019.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

(s) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share for 2020 and 2019 were as follows:

1) Profit attributable to ordinary shareholders of the Company

	2020	2019
Profit attributable to ordinary shareholders of the Company	\$ 1,713,942	1,313,498

2) Weighted-average number of ordinary shares (thousand shares)

	2020	2019
Weighted-average number of ordinary shares at December 31	204,955	191,708
Basic earnings per share (dollars)	\$ 8.36	6.85

(ii) Diluted earnings per share

The calculation of diluted earnings per share for 2020 and 2019 was as follows:

1) Profit attributable to ordinary shareholders of the Company (diluted)

	2020	2019
Profit attributable to ordinary shareholders of the Company(basic) (diluted)	\$ 1,727,669	1,318,031

2) Weighted-average number of ordinary shares (diluted) (thousand shares)

	2020	2019
Weighted-average number of outstanding ordinary shares (basic)	\$ 204,955	191,708
Effect of employee bonuses	3,327	1,914
Effect of employee restricted shares unvested	2,626	2,817
Convertible bonds payable	11,403	6,144
Weighted-average number of ordinary shares (diluted)	222,311	202,583
Diluted earnings per share (dollars)	\$ 7.77	6.51

(Continued)

ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

(t) Revenue from contracts with customers

(i) Details of revenue

	2020	2019
	Networking Product Segment	Networking Product Segmen
Primary geographical markets		
Europe	\$ 15,381,376	13,587,316
America	8,121,842	6,508,688
Asia and others	7,200,062	7,285,213
	\$ 30,703,280	27,381,217
Major products:		
Networking products	\$ 26,531,230	23,429,210
Digital Set-top-box products	3,715,746	3,593,446
Materials and others	456,304	358,561
	\$ 30,703,280	27,381,217

(ii) Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Accounts receivable	\$ 6,311,638	7,143,796	5,832,362
Less: allowance for impairment	(24,833)	(22,596)	(26,750)
Total	\$ 6,286,805	7,121,200	5,805,612

For details on accounts receivable and allowance for impairment, please refer to note (6)(e).

(u) Remuneration to employees and directors

Based on the Company's articles of incorporation, if there is any profit without the remuneration of employees and directors in a fiscal year, it shall be distributed to employees as remuneration in an amount of not less than five percent (5%) and to directors as remuneration in an amount of not more than two percent (2%) of such profits. In the event that the Company has accumulated losses, the Company shall reserve an amount to offset its accumulated losses. Employees who are entitled to receive the above mentioned employee remuneration, in share or cash, include the employees of the subsidiaries of the Company who meet certain specific requirement.

For the years ended December 31, 2020 and 2019, the Company accrued employee remuneration of \$262,880 and \$156,863, and directors' remuneration of \$16,876 and \$11,812, respectively. The estimated amounts mentioned above are based on the net profit before tax without the remuneration to employees and directors of each respective ending period, multiplied by the percentage of remuneration to employees and directors as specified under the Company's articles. The estimations were recorded under operating expenses during 2020 and 2019.

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ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

There is no differences between the amounts approved in the Board of Directors' meeting and those recognized in the financial statement for the year ended December 31, 2019, the related information can be accessed through the Market Observation Post System website.

(v) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

The Company's customers are mainly from the high-tech industry; therefore, the Company does not concentrate on a specific customer and the sales regions are widely spread, thus, there should be no concern on the significant concentrations of accounts receivable credit risk. In addition, in order to mitigate accounts receivable credit risk, the Company constantly assesses the financial status of its customers, wherein it does not require its customers to provide any collateral.

3) Receivables and debt securities

For credit risk exposure of note and trade receivables, please refer to note (6)(e).

Other financial assets at amortized cost includes other receivables and time deposits. All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note (4)(f). In addition, the counterparties of the time deposits held by the Company are the financial institutions with investment grade credit ratings. Therefore, the credit risk is considered to be low.

The loss allowance provision as of December 31, 2020 and 2019 was determined as follows:

	Other receivables
Balance at January 1, 2020	\$ 105
Impairment loss reversed	(60)
Balance at December 31, 2020	\$ 45
Balance at January 1, 2019	\$ 122
Impairment loss reversed	(17)
Balance at December 31, 2019	\$ 105

(Continued)

ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, excluding estimated interest payments.

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
December 31, 2020					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 341,760	(341,760)	(341,760)	-	-
Accounts payable (including related parties)	8,576,541	(8,576,541)	(8,576,541)	-	-
Other payables	2,099,040	(2,099,040)	(2,099,040)	-	-
Bonds Payable	980,219	(1,000,000)	-	(1,000,000)	-
Lease liability—current and non-current	3,820	(3,856)	(2,699)	(1,099)	(58)
Derivative financial liabilities					
Other foreign exchange forward contracts:	43,896				
Outflow		(1,317,070)	(1,317,070)	-	-
Inflow		1,276,738	1,276,738	-	-
Foreign exchange swaps contracts:	2,283				
Outflow		(854,400)	(854,400)	-	-
Inflow		847,900	847,900	-	-
Foreign exchange forward contracts used for hedging:	2,192				
Outflow		(209,640)	(209,640)	-	-
Inflow		208,331	208,331	-	-
	<u>\$ 12,049,751</u>	<u>(12,069,338)</u>	<u>(11,068,181)</u>	<u>(1,001,099)</u>	<u>(58)</u>
December 31, 2019					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 270,180	(270,180)	(270,180)	-	-
Accounts payable (including related parties)	7,085,381	(7,085,381)	(7,085,381)	-	-
Other payables	1,087,821	(1,087,821)	(1,087,821)	-	-
Bonds Payable	966,492	(1,000,000)	-	-	(1,000,000)
Lease liability—current and non-current	88,695	(88,760)	(86,933)	(1,827)	-

(Continued)

ARCADYAN TECHNOLOGY CORPORATION
Notes to the 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:	5,414				
Outflow		(602,004)	(602,004)	-	-
Inflow		598,158	598,158	-	-
Foreign exchange forward contracts used for hedging	4,932				
Outflow		(1,423,089)	(1,423,089)	-	-
Inflow		1,433,921	1,433,921	-	-
	<u>\$ 9,508,915</u>	<u>(9,525,156)</u>	<u>(8,523,329)</u>	<u>(1,827)</u>	<u>(1,000,000)</u>

The Company is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

Unit: thousands of foreign currency

	<u>December 31, 2020</u>			<u>December 31, 2019</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
Financial assets						
Monetary items						
USD	\$ 333,601	USD/TWD =28.48	9,500,956	325,422	USD/TWD =30.02	9,769,168
EUR	49,659	EUR/TWD =34.94	1,735,085	24,178	EUR/TWD =33.62	812,864
Financial liabilities						
USD	431,168	USD/TWD =28.48	12,279,665	327,781	USD/TWD =30.02	9,839,986

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables (including related parties), loans and borrowings, accounts payable (including related parties) and other payables (including related parties) that are denominated in foreign currency. The analysis assumes that all other variables remain constant. A strengthening (weakening) 5% of each foreign currency against the functional currency on December 31, 2020 and 2019 would have affected the net profit before tax as follows. The analysis is performed on the same basis for both periods:

(Continued)

ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
USD (against the TWD)		
Strengthening 5%	\$ (138,935)	(3,541)
Weakening 5%	138,935	3,541
EUR (against the TWD)		
Strengthening 5%	\$ 86,754	40,643
Weakening 5%	(86,754)	(40,643)

3) Exchange gains and losses of monetary items

As the Company deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. In 2020 and 2019, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$3,558 and \$(126,589), respectively.

(iv) Interest rate analysis

The Company's risk exposure to interest rate on financial assets and liabilities was as follows:

	<u>Book value</u>	
	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Fixed rate financial instrument:		
Financial assets	\$ 5,000,000	3,000,000
Financial liabilities	<u>(1,321,979)</u>	<u>(1,236,672)</u>
	<u>\$ 3,678,021</u>	<u>1,763,328</u>
Variable rate financial instrument:		
Financial assets	<u>\$ 2,706,460</u>	<u>1,459,194</u>

The following sensitivity analysis is based on the risk exposure to interest rate on the non-derivative financial instruments on the reporting date. Regarding the assets and liabilities with variable interest rates, the analysis is on the basis of the assumption that the amount of assets and liabilities outstanding at the reporting date were outstanding throughout the year. The rate of change is expressed as the interest rate increase or decrease by 0.25% when reporting to management internally, which also represents management of the Company's assessment on the reasonably possible interval of interest rate change.

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have increased or decreased by \$6,766 and \$3,648 for the years ended December 31, 2020 and 2019, respectively, which would be mainly resulted from the bank savings and borrowings with variable interest rates.

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ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

(v) Fair value information

1) The kinds of financial instruments and fair value

The fair value of financial assets and liabilities at fair value through profit or loss, financial instruments used for hedging is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required :

	December 31, 2020				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss – current and non-current					
Derivative financial assets	\$ 6,034	-	6,034	-	6,034
Non-derivative financial assets mandatorily measured at fair value through profit or loss	<u>42,840</u>	-	-	42,840	42,840
Subtotal	<u>48,874</u>				
Financial assets at fair value through other comprehensive income					
Stock unlisted in domestic markets	<u>31,135</u>	-	-	31,135	31,135
Financial assets measured at amortized cost					
Cash and cash equivalents	7,707,957	-	-	-	-
Notes and account receivables, net (including related parties)	6,286,805	-	-	-	-
Other receivables (including related parties)	538,296	-	-	-	-
Refundable deposits	<u>66,743</u>	-	-	-	-
Subtotal	<u>14,599,801</u>				
Total	<u>\$ 14,679,810</u>				
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ <u>46,179</u>	-	46,179	-	46,179
Financial liabilities for hedging	<u>2,192</u>	-	2,192	-	2,192
Financial liabilities measured at amortized cost					
Short-term borrowings	341,760	-	-	-	-
Accounts payable (including related parties)	8,576,541	-	-	-	-
Other payables	2,099,040	-	-	-	-
Bonds payable	980,219	-	-	-	-
Lease liabilities – current and non-current	3,820	-	-	-	-
Deposits received	<u>381</u>	-	-	-	-
Subtotal	<u>12,001,761</u>				
Total	<u>\$ 12,050,132</u>				

(Continued)

ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

	December 31, 2019				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss – current and non-current					
Derivative financial assets	\$ 12,400	-	12,400	-	12,400
Non-derivative financial assets mandatorily measured at fair value through profit or loss	<u>44,262</u>	-	-	44,262	44,262
Subtotal	<u>56,662</u>				
Financial assets for hedging	<u>61</u>	-	61	-	61
Financial assets at fair value through other comprehensive income					
Stocks unlisted in domestic markets	<u>49,500</u>	-	-	49,500	49,500
Financial assets measured at amortized cost					
Cash and cash equivalents	4,460,976	-	-	-	-
Notes and account receivables, net (including related parties)	7,121,200	-	-	-	-
Other receivables (including related parties)	604,332	-	-	-	-
Refundable deposits	<u>60,956</u>	-	-	-	-
Subtotal	<u>12,247,464</u>				
Total	<u>\$ 12,353,687</u>				
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	<u>\$ 5,414</u>	-	5,414	-	5,414
Financial liabilities for hedging	<u>4,932</u>	-	4,932	-	4,932
Financial liabilities measured at amortized cost					
Short-term borrowings	270,180	-	-	-	-
Accounts payable (including related parties)	7,085,381	-	-	-	-
Other payables	1,087,821	-	-	-	-
Bonds payable	966,492	-	-	-	-
Lease liabilities – current and non-current	<u>88,695</u>	-	-	-	-
Subtotal	<u>9,498,569</u>				
Total	<u>\$ 9,508,915</u>				

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Notes to the Financial Statements

2) Valuation techniques for financial instruments not measured at fair value

The Company's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

a) Financial assets and financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

3) Valuation technique for financial instruments measured at fair value

a) Non-derivative financial instruments

Financial instruments trade in active markets are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a basis to determine the fair value of the listed companies' equity instrument and debt instrument of the quoted price in an active market.

Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

The Company holds the unquoted equity investments of financial instruments without an active market. The measurement of fair value of the equity instruments is based on the Guideline Public Company method, which mainly assumes the evaluation by the price to book value ratio of similar public company and by the discount for lack of marketability. The estimation has been adjusted by the effect resulting from the discount for lack of marketability of the securities.

b) Derivative financial instruments

Measurement of fair value of derivative instruments is based on the valuation techniques that are generally accepted by the market participants. For instance, discount method or option pricing models. Fair value of forward currency exchange is usually determined by using the forward currency rate.

There were no transfers from level 2 to level 1 in 2020 and 2019.

4) Transfers between Level 1 and Level 2

There were no transfers from level 2 to level 1 in 2020 and 2019.

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Notes to the Financial Statements

5) Reconciliation of Level 3 fair values

	Fair value through profit of loss	Fair value through other comprehensive income
	Non derivation mandatorily measured at fair value through profit or loss	Unquoted equity instruments
Balance at January 1, 2020	\$ 44,262	49,500
Total gains and losses recognized		
In profit or loss	(1,422)	-
In other comprehensive income (loss)	-	(18,365)
Balance at December 31, 2020	<u>\$ 42,840</u>	<u>31,135</u>
Balance at January 1, 2019	\$ 45,645	-
Total gains and losses recognized		
In profit or loss	(1,383)	-
Purchased	-	49,500
Balance at December 31, 2019	<u>\$ 44,262</u>	<u>49,500</u>

For the years ended December 31, 2020 and 2019, total gains and (losses) that were included in “gains and losses from financial assets (liabilities) at fair value through profit or loss” and “unrealized gains and losses from equity investment at fair value through other comprehensive income” were as follows:

	2020	2019
Total gains and losses recognized:		
In profit or loss, and presentd in “gains and (losses) from financial assets(liabilities) at fair value through profit or loss”	<u>\$ (1,422)</u>	<u>(1,383)</u>
In other comprehensive income, and presented in “unrealized gains and losses from equity investment at fair value through other comprehensive income”	<u>\$ (18,365)</u>	<u>-</u>

6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company’s financial instruments that use Level 3 inputs to measure fair value include “financial assets measured at fair value through profit or loss – investments in private equity fund” and “ fair value through other comprehensive income -equity investment”.

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Notes to the Financial Statements

Most of fair value measurements categorized within Level 3 use the single and significant unobservable inputs. Equity investments without an active market contains multiple significant unobservable inputs. The significant unobservable inputs of the equity instruments are independent from each other, as a result, there is no relevance between them.

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income-equity investment without an active market	Comparable market approach	·Price-Book ratio multiples (1.45~5.33 and 4.38 on December 31, 2020 and 2019, respectively) ·Lack-of-Marketability discount rate (30% on December 31, 2020 and 2019)	·The higher the multiple is , the higher the fair value will be. ·The higher the Lack-of-Marketability discount rate is, the lower the fair value will be.
Financial assets at fair value through profit or loss-investment in private equity fund	Net asset value method	· Net asset value	Inapplicable

- 7) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

For fair value measurements in Level 3, changing one or more of the assumptions to reflect reasonably possible alternative assumptions would have the following effects:

	<u>Input</u>	<u>Move up or down</u>	<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
December 31, 2020				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	\$ <u>1,572</u>	<u>1,599</u>
	Lack-of-Marketability discount rae	5%	\$ <u>660</u>	<u>689</u>
December 31, 2019				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	\$ <u>1,912</u>	<u>1,911</u>
	Lack-of-Marketability discount rae	5%	\$ <u>809</u>	<u>825</u>

(Continued)

ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(w) Financial risk management

(i) Briefings

The Company is exposed to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

In this note expressed the information on risk exposure and objectives, policies and procedures of risk measurement and management. For detailed information, please refer to the related notes of each risk.

(ii) Structure of risk management

The Company's risk management policies are set for identifying and analyzing the risk that the Company confronts for setting the appropriate amount of the risk and complying with the policies. The Company continually reviews the risk management policies to reflect the market condition and the changes of the Company's operation. The Company develops a disciplined and constructive environment and makes employees understand their rules and obligations through training, management guidelines, and operating procedures.

Audit Committee ensures that the monitoring of the management is in compliance with the Company's risk management policies and procedures, and reviews the appropriateness of the related risk management framework. The Company's internal auditors assist the Audit Committee to supervise and review the control and procedures of the risk management periodically and aperiodically, and report the findings to the Audit Committee and the Board of Directors.

(iii) Credit risk

Credit risk is the risk on the financial loss to the Company if a customer or a counterparty fails to meet its contractual obligations. It rises principally from the Company's receivables from customers and investment in debt securities.

1) Accounts receivable and other receivables

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, and these limits are reviewed periodically.

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ARCADYAN TECHNOLOGY CORPORATION

Notes to the Financial Statements

The Company's customers are mainly from the communications industry. And in order to monitor the credit risk of accounts receivable, the Company constantly assesses the financial status of the customers, and requests the customers to provide guarantee or security if necessary. The Company regularly accesses the collectability of accounts receivable and recognizes the allowance for accounts receivable. The impairment losses are always within management's expectation.

The Company set the allowance for bad debt account to reflect the estimated losses for trade and other receivables. The allowance for bad debt account is based on extensive analysis for customers' creditworthiness and historical collection record.

2) Investments

The credit risks exposure in the bank deposits and other financial instruments are measured and monitored by the Company's finance department. Since the Company's transaction counterparties and the contractually obligated counterparties are banks, financial institutes and corporate organizations with good credits, there are no compliance issues, and therefore, no significant credit risk.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures in compliance with the terms of the loan agreements. The loans and borrowings from the bank form an important source of liquidity for the Company. As of December 31, 2020 and 2019, for the information of the unused credit lines of short-term, please see note (6)(k).

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

In order to manage market risk, there are some financial liabilities incurred by the Company from its buying and selling of derivatives. Generally, the Company seeks to apply hedge accounting in order to manage volatility in profit or loss.

1) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currencies of the Company, primarily USD and EUR.

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ARCADYAN TECHNOLOGY CORPORATION

Notes to the Financial Statements

The Company designates the spot element of forward foreign exchange contracts to hedge its currency risk. Most of these contracts have a maturity of less than one year from the reporting date. The forward elements of forward exchange contracts are excluded from designation as the hedging instrument and are separately accounted for as a cost of hedging, which is recognized in equity in a cost of hedging reserve. The Company's policy is for the critical terms of the forward exchange contracts to align with the hedged item.

The Company determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Company assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are:

- the effect of the counterparty and the Company's own credit risk on the fair value of the forward foreign exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and
- changes in the timing of the hedged transactions.

2) Interest rate risk

The Company borrows funds with a stable combination of fix and variable interest rates to maintain its interest rate risk. The Company periodically assess these hedge activities to provide the best cost effect and risk assessment.

(x) Capital management

The Company maintains the capital based on the current operating characteristics of the industry, future development and changes in external environment to assure there is financial resource and operating plan to support working capital, capital expenditures, research & development expense, debt redemption and dividend payment and so on. The management decides the optimized capital structure by using the appropriate debt-to-equity ratio. To maintain a strong capital base, the Company enhances the return on equity by optimizing debt-to-equity ratio. The Company's debt-to-equity ratio at the end of the reporting date is as follows:

	December 31, 2020	December 31, 2019
Total liabilities	\$ 13,324,237	10,650,666
Total equity	11,609,361	10,904,726
Debt-to-equity ratio	115 %	98 %

As of December 31, 2020, there were no changes in the Company's approach to capital management.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

(y) Investing and financing activities not affecting current cash flow

The Company's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2020 and 2019 were as follow:

- (i) The acquisition of right-of-use assets by lease, please see notes (6)(i).
- (ii) Issuance of convertible bonds, please see notes (6)(l).

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2020	Cash flows	Non-cash changes Other	December 31, 2020
Short-term borrowings	\$ 270,180	71,580	-	341,760
Lease liabilities	88,695	(87,872)	2,997	3,820
Bonds payable	966,492	-	13,727	980,219
Refundable deposits	-	381	-	381
Total liabilities from financing activities	<u>\$ 1,325,367</u>	<u>(15,911)</u>	<u>16,724</u>	<u>1,326,180</u>

	January 1, 2019	Cash flows	Non-cash changes Other	December 31, 2019
Short-term borrowings	\$ 430,010	(159,830)	-	270,180
Lease liabilities	6,896	(6,933)	88,732	88,695
Bonds payable	-	1,007,240	(40,748)	966,492
Total liabilities from financing activities	<u>\$ 436,906</u>	<u>840,477</u>	<u>47,984</u>	<u>1,325,367</u>

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

Compal Electronics Inc. is both the parent company of the consolidated entity and the ultimate controlling party of the Company. It owns 35 percent of all shares outstanding of the Company, and it has issued the Consolidated Financial Statements available for public use.

ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

(b) Name and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Company</u>
Compal Electronics, Inc.	Parent company
Arcadyan Technology N.A. Corp. (Arcadyan USA)	Subsidiaries
Arcadyan Germany Technology GmbH (Arcadyan Germany)	"
Arcadyan Holding (BVI) Corp. (Arcadyan Holding)	"
ZHI-BAO Technology Inc. (ZHI-BAO)	"
Tatung Technology Inc. (TTI)	"
AcBel Telecom Inc. (AcBel Telecom)	"
Arcadyan Technology Corporation Korea (Arcadyan Korea)	"
Arcadyan do Brasil Ltda (Arcadyan Brasil)	"
Arcadyan Technology Limited (Arcadyan UK)	"
Arcadyan Technology Australia Pty Ltd (Arcadyan AU)	"
Arcadyan Technology Corporation (Russia), LLC. (Arcadyan RU)	"
Sinoprime Global Inc. (Sinoprime)	"
Arcadyan Technology (Shanghai) Corp. (SVA)	"
Arch Holding (BVI) Corp. (Arch Holding)	"
Compal Networking (Kunshan) Co., Ltd. (CNC)	"
Arcadyan Technology (Vietnam) Co. Ltd (Arcadyan Vietnam)	"
Tatung Technology of Japan Co., Ltd. (TTJC)	"
Quest International Group Co., Ltd. (Quest)	"
Exquisite Electronic Co., Ltd. (Exquisite)	"
Tatung Home Appliance (Wujiang) Co., Ltd. (TCH)	"
Leading Images Ltd. (Leading Images) (Note 1)	"
Astoria Networks GmbH (Astoria GmbH) (Note 2)	"

(Continued)

ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

<u>Name of related party</u>	<u>Relationship with the Company</u>
Kinpo Group Management Service Company (Kinpo Group Management)	The chairman of the entity's ultimate parent company is the same as that of the Company.
AcBel Polytech Inc. (AcBel)	"
Compal Display Electronics (Kunshan) Co., Ltd.	The entity's ultimate parent company is the same.
Compal Electronics (Vietnam) Co., Ltd. (CVC)	"
LTZ Electronics (Nantong) Co., Ltd.	An associate of parent company

Note 1: The liquidation procedure has been completed in December 2020.

Note 2: The liquidation procedure has been completed in October 2020.

(c) Significant related party transactions

(i) Sales

The amounts of significant sales by the Company to related parties were as follows:

	<u>2020</u>	<u>2019</u>
Subsidiaries:		
Arcadyan USA	\$ 5,413,289	2,992,401
Other subsidiaries	2,272,824	3,922,186
Other related parties	-	2,490
	<u>\$ 7,686,113</u>	<u>6,917,077</u>

Sales prices for subsidiaries and other related parties were similar to those of the third-party customers. The collection period was 45-120 days for the aforementioned related parties.

(ii) Purchases

The amounts of significant purchases by the Company to related parties were as follows:

	<u>2020</u>	<u>2019</u>
Parent company	\$ 3,526	1,052
Other related parties	16,938	1,910
	<u>\$ 20,464</u>	<u>2,962</u>

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors. The payment terms ranged from 60 to 120 days, which were no different from the payment terms given by other vendors.

ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

(iii) Processing cost

	2020	2019
Subsidiaries:		
CNC	\$ 11,026,936	11,451,395
Arcadyan Vietnam	1,065,328	1,026,793
	\$ 12,092,264	12,478,188

The Company sold raw materials to related parties due to the demand of processing raw materials. The related revenue and cost had been eliminated in the financial statements, had not been considered as selling raw materials and purchasing finished goods. Any revenue from selling materials is recognized in other receivables.

(iv) Other expenditures

Parent company, subsidiaries and other related parties provided technical support, professional services and other services for the Company, and the related expenses for the years ended December 31, 2020 and 2019 were as follows:

	2020	2019
Subsidiaries	\$ 118,629	89,422
Other related parties	999	988
	\$ 119,628	90,410

(v) Lease

The Company lease machinery from other related parties-CVC with a contract term of 5 years in June 2019. The lease payment will be collected by the parent company; and the amount of \$71,622 and \$81,081 had each been recorded respectively as right-of-use assets and lease liabilities on December 31, 2019. The lease payment had been paid in 2020, and the balance of right-of-use assets amounted to \$55,406 on December 31, 2020.

(vi) Loans to related parties

	December 31, 2020	December 31, 2019
Subsidiaries:		
Arcadyan Brazil	\$ 37,128	39,085
Arcadyan RU	6,934	-
Less: Credit balance of investments accounted for using equity method transferred to deduction of other receivable from related parties	(16,192)	(8,095)
	\$ 27,870	30,990

The Company has granted loans to related parties and the interest rates were set based on the average interest rates of the unsecured short-term loans that the Company borrowed from financial institutions in the current year. All the loans are not guaranteed loans. There is \$113 interest receivable for the year ended December 31, 2020, which is recognized in other receivables and no need to record a bad debt expense after assessment.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

(vii) Receivable from related parties

The receivables arising from the transactions mentioned above, and others on behalf of the related parties were as follows:

<u>Account</u>	<u>Related party categories</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable	Subsidiaries:		
	Arcadyan USA	\$ 1,039,758	2,683,393
	Arcadyan Germany	242,935	392,466
	Arcadyan Australia	22,357	634,154
	Other subsidiaries	<u>92,831</u>	<u>55,769</u>
		<u>\$ 1,397,881</u>	<u>3,765,782</u>
Other receivables	Subsidiaries:		
	Arcadyan Vietnam	\$ 303,959	362,695
	Arcadyan USA	129,953	683
	CVC	-	80,936
	Other subsidiaries	<u>5,359</u>	<u>48,892</u>
		439,271	493,206
	Less: Credit balance of investments accounted for using equity method transferred to deduction of other receivable from related parties	<u>-</u>	<u>(683)</u>
		<u>\$ 439,271</u>	<u>492,523</u>

(viii) Payable to related parties

The payables arising from the transactions mentioned above, and others on behalf of the related parties were as follows:

<u>Account</u>	<u>Related party categories</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts payable	Parent company	\$ 1,823	519
Accounts payable	Subsidiaries:		
	CNC	3,407,485	3,117,484
	Sinoprime	-	54,720
	Other related parties	<u>5,298</u>	<u>914</u>
		<u>\$ 3,414,606</u>	<u>3,173,637</u>
Other payable	Subsidiaries	\$ 19,862	18,287
	Other related parties	<u>-</u>	<u>-</u>
		<u>\$ 19,862</u>	<u>18,287</u>

(Continued)

ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

(d) Key management personnel compensation

Key management personnel compensation comprised:

	2020	2019
Short-term employee benefits	\$ 107,231	84,237
Post-employment benefits	1,062	1,047
Share-based payments	19,034	30,278
	\$ 127,327	115,562

Please refer to note (6)(r) for further explanations related to share-based payment transactions.

(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Assets</u>	<u>Subject</u>	December 31, 2020	December 31, 2019
Other current assets	Bail for court mandatory excution	\$ 41,090	41,090

(9) Commitments and contingencies: None

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

- (a) The followings are the summary statement of current period employee benefits, depreciation and amortization expenses by function:

By function By item	2020			2019		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	49,417	1,331,903	1,381,320	44,260	1,163,387	1,207,647
Labor and health insurance	2,417	78,408	80,825	2,514	71,329	73,843
Pension	1,533	39,343	40,876	1,566	35,972	37,538
Remuneration of directors	-	16,874	16,874	-	11,812	11,812
Others	1,178	37,641	38,819	1,197	33,818	35,015
Depreciation	22,518	81,833	104,351	18,912	76,676	95,588
Amortization	2,239	27,022	29,261	3,601	27,585	31,186

(Continued)

ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

The following are the additional information on the numbers of the Company's employees and their benefits:

	2020	2019
Number of employees	702	636
Number of directors who were not employees	7	7
The average employee benefit	\$ 2,218	2,153
The average salaries and wages	\$ 1,988	1,920
Average salary expense adjustment	3.54 %	16.79 %
Remuneration of supervisors	\$ -	-

The Company's salary and remuneration policy (including directors, managers and employees) is as follows:

The remuneration distribution for each director depends on degree of participation and contribution to the Company, which is reviewed by the Salary and Remuneration Committee and is approved by the Board of Directors.

The remuneration of managers is according to the position held, contribution to the Company, performance indicators achieved and reference to competitors, the payment shall be reviewed by the Salary and Remuneration Committee and be approved by the Board of Directors.

The salary of employees not only refers to holiday bonus, but also refer to year end bonus and employee remuneration. Annual salary adjustment based on performance and reference to industry standards. The salary adjustment refers to competitors, employee's education, professional technical ability and work experience.

(13) Other disclosures:

- (a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for 2020:

- (i) Loans to other parties:

Unit: thousand dollars

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 (notes 2, 3, 4 and 5)	Note
													Item	Value			
0	The Company	Arcadyan do Brasil Ltda	Other receivables	Yes	56,960 (USD2,000)	-	-	1%	2	-	Operating demand	-	-	-	2,321,872	4,643,744	
0	"	Arcadyan do Brasil Ltda	"	Yes	56,960 (USD2,000)	56,960 (USD2,000)	37,024 (USD1,300)	1%	2	-	Operating demand	-	-	-	2,321,872	4,643,744	
0	"	Arcadyan Technology Limited	"	Yes	199,360 (USD7,000)	-	-	1%	1	4,272,000 (USD150,000)	-	-	-	-	2,321,872	4,643,744	

(Continued)

ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

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 limits (note 2)	Maximum limit of fund financing (notes 2, 3, 4 and 5)	Note
													Item	Value			
0	The Company	Arcadyan Technology Limited	"	Yes	284,800 (USD10,000)	284,800 (USD10,000)	-	1%	1	4,475,717 (USD157,153)	-	-	-	-	2,321,872	4,643,744	
0	"	Arcadyan Technology (Vietnam) Co. Ltd.	"	Yes	256,320 (USD9,000)	-	-	1%	1	569,600 (USD20,000)	-	-	-	-	455,680 (USD16,000)	4,643,744	
0	"	Arcadyan Technology (Vietnam) Co. Ltd.	"	Yes	256,320 (USD9,000)	256,320 (USD9,000)	-	1%	1	5,530,446 (USD194,187)	-	-	-	-	2,321,872	4,643,744	
0	"	Arcadyan Technology Corporation (Russia), LLC	"	Yes	56,960 (USD2,000)	56,960 (USD2,000)	6,925 (RUB18,000)	1%	1	170,787 (USD5,997)	-	-	-	-	136,629 (USD4,797)	4,643,744	
1	ZHI-BAO	Arcadyan do Brasil Ltda	"	Yes	31,328 (USD1,100)	-	-	1%	2	-	Operating demand	-	-	-	42,399	169,598	
2	Arcadyan Holding	CNC	"	Yes	484,160 (USD17,000)	-	-	1%	2	-	Operating demand	-	-	-	2,287,344	2,287,344	
2	Arcadyan Holding	CNC	"	Yes	484,160 (USD17,000)	484,160 (USD17,000)	484,160 (USD17,000)	1%	2	-	Operating demand	-	-	-	2,287,344	2,287,344	
3	SVA	CNC	"	Yes	153,020 (CNY35,000)	153,020 (CNY35,000)	139,904 (CNY32,000)	3.85%	2	-	Operating demand	-	-	-	164,728	164,728	

Note 1: Number 1 represents the business relationship with the Company; number 2 represents the short-term financing facility, if necessary.

Note 2: According to the policy of the Company on Lending Funds to Other Parties, the amount of loans to others shall not exceed 40% of the net worth of the Company. To borrowers having business relationship with the Company, the total amount of loans to the borrower shall not exceed 80% of the transaction amount in the last fiscal year or the expected amount for the current year, which shall not exceed 20% of the net worth of the Company. Also, the amount shall be combined with the Company's endorsements/guarantees for the borrower upon calculation. When a short-term financing facility is deemed necessary, only the investees of the Company are allowed to borrow. The total amount of loans to the borrower shall not exceed 80% of its net worth, nor shall it exceed 20% of the net worth of the Company, and it shall be combined with the the Company's endorsements/guarantees for the borrower upon calculation.

Note 3: According to the policy of Arcadyan Holding on Lending Funds to Others, the amount of loans to others shall not exceed the net worth of Arcadyan Holding. When a short-term financing facility with Arcadyan Holding is deemed necessary, only the investees of Arcadyan Holding are allowed to borrow. The total amount for lending the borrower shall not exceed its net worth, and it shall be combined with the Company's endorsements/guarantees for the borrower upon calculation.

Note 4: According to ZHI-BAO's Procedures for Lending Funds to Other parties, the total amount of loans to others shall not exceed 40% of the net worth of ZHI-BAO. To borrowers having business relationship with ZHI-BAO, the total amount for lending the borrower shall not exceed 80% of the transaction amount in the last fiscal year or the expecting amount for the current year, nor shall it exceed 20% of the net worth of ZHI-BAO. When a short-term financing facility is necessary, the borrower should be ZHI-BAO's investee. The total amount for lending the borrower shall not exceed 10% of the net worth of the borrower.

Note 5: According to the policy of SVA on Lending Funds to Others, the amount of loans to others shall not exceed 40% of the net worth of SVA. To borrowers having business relationship with SVA, the total amount of loans to the borrower shall not exceed 80% of the transaction amount in the last fiscal year or the expected amount for the current year, which shall not exceed 20% of the net worth of SVA. Also, the amount shall be combined with SVA's endorsements/ guarantees for the borrower upon calculation. When a short-term financial facility is deemed necessary, only the investees of SVA are allowed to borrow. The total amount of loans to the borrower shall not exceed 80% of its net worth, nor shall it exceed 20% of the net worth of SVA, and it shall be combined with the SVA's endorsements/ guarantees for the borrower upon calculation.

Note 6: The amounts in New Taiwan Dollars were translated at the exchange rate of \$28.48 (USD), \$4,372(CNY) and \$0.3847 (RUB) based on the year-end date.

(ii) Guarantees and endorsements for other parties:None

(Continued)

ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

(iii) Securities held as of (excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand dollars/thousand shares

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares	Carrying value	Percentage of ownership	Fair value	
The Company	Geo Things Inc.	-	Financial assets at fair value through profit or loss-non-current	200	-	7.14 %	-	
"	AirHop Communication, Inc.	-	"	1,152	-	4.60 %	-	
"	Adant Technologies Inc.	-	"	349	-	12.23 %	-	
"	IOT Eye, Inc.	-	"	60	-	13.75 %	-	
"	TIEF Fund, L.P.	-	"	-	42,840	7.49 %	42,840	
"	Chimei Motor Electronic Co Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	1,650	31,135	7.17 %	31,135	
"	Golden Smart home Technology Corp.	-	"	1,229	-	8.35 %	-	
CNC	Structured deposits-SPD Bank Yield Plus Structured Deposit	-	Financial assets at fair value through profit or loss-current	-	130,875	- %	130,875	
"	Sturctured deposits-Agricultural Bank of China "HuiLi Feng" customization RMB structured deposit	-	"	-	130,799	- %	130,799	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
Arcadyan Vietnam	Plant and mechanical and electrical equipment	July 28, 2020 (Note 1)	Estimated 794,885 (Note 2)	Depending on the progress of the project	Giza E&C etc.	Non-related party	Not applicable	Not applicable	Not applicable	Not applicable	price comparison and price negotiation	Manufacturing purpose	None

Note 1: On July 28, 2020, the Board of Directors of Arcadyan Vietnam made a resolution to build on a leased land. The total contract amount is estimated to be \$794,885 thousand (VND 691,204,153 thousand).

Note 2: As of December 31, 2020, the contracts for fire equipment, mechanical and electrical equipment and the renovation project have not been signed and completed.

(vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Unit: In thousand dollars of TWD

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Arcadyan Germany	Subsidiary	(Sales)	(867,017)	(3)%	Net 150 days from delivery	-	-	242,935	4 %	
"	Arcadyan USA	"	(Sales)	(5,413,289)	(18)%	Net 120 days from delivery	-	-	1,039,758	17 %	
"	Arcadyan AU	"	(Sales)	(1,394,596)	(5)%	Net 60 days from the end of the month of delivery	-	-	22,357	- %	
"	CNC	"	Purchases	11,026,936	27 %	Net 120 days from delivery	According to cost plus pricing	-	(3,407,485)	(40)%	Note 1
"	Arcadyan Vietnam	"	Purchases	1,065,328	3 %	Net 180 days from the end of the month of delivery	"	-	Note 2	- %	Note 1
CNC	The Company	Parent company	(Sales)	(11,026,936)	(100)%	Net 120 days from delivery	"	-	3,407,485	94 %	Note 1
Arcadyan Vietnam	The Company	Parent company	(Sales)	(1,065,328)	(100)%	Net 180 days from the end of the months of delivery	-	-	Note 2	- %	Note 1
Arcadyan Germany	The Company	Parent company	Purchases	867,017	100 %	Net 150 days from delivery	-	-	(242,935)	(100)%	
Arcadyan USA	"	"	Purchases	5,413,289	100 %	Net 120 days from delivery	-	-	(1,039,758)	(100)%	
Arcadyan AU	"	"	Purchases	1,394,596	100 %	Net 60 days from the end of the month of delivery	-	-	(22,357)	(100)%	

Note 1: The ending balance derived from the transactions on processing and sales of raw material.
Note 2: As of December 31, 2020 the other receivables (payables) of amounted to \$303,959.

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Unit: In Thousands of TWD and USD

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (note 3)	Allowance for bad debts
					Amount	Action taken		
The Company	Arcadyan Germany	Subsidiary	242,935	2.73	-	-	216,165	-
"	Arcadyan USA	"	1,039,758	2.91	-	-	1,019,515	-
"	Arcadyan Vietnam	"	303,959 (note 2)	note 2	-	-	7,278	-
CNC	The Company	Parent Company	3,407,485 (note 1)	3.38	-	-	3,223,397	-

Note 1: The ending balance was accounts receivable derived from processing raw material.

Note 2: The ending balance was other receivable derived from purchasing on behalf of related parties.

Note 3: Balance as of February 26, 2021.

(ix) Trading in derivative instruments :Please refer to notes (6)(b) and (6)(d)

(Continued)

ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

(b) Information on investees:

The following is the information on investees for the year 2020 (excluding information on investees in Mainland China):

Unit: thousand dollars

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net Income (Losses) of the Investee	Investment Income (losses)	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Arcadyan Holding	British Virgin Islands	Investment activities	2,359,732	2,064,032	69,780	100%	2,240,149	95,019	95,019	Subsidiary
The Company	Arcadyan USA	USA	Selling of wireless networking products	23,055	23,055	1	100%	91,507	62,073	62,073	"
The Company	Arcadyan Germany	Germany	Selling and technical support of wireless networking products	1,125	1,125	0.5	100%	76,874	5,667	5,667	"
The Company	Arcadyan Korea	Korea	Selling of wireless networking products	2,879	2,879	20	100%	13,858	6,446	6,446	"
The Company and ZHI-BAO	Arcadyan Brasil	Brasil	Selling of wireless networking products	81,593	81,593	968	100%	(16,192)	(10,717)	(10,717)	"
The Company	ZHI-BAO	Taipei City	Investment activities	48,000	48,000	34,980	100%	423,997	9,632	9,632	"
The Company	TTI	Taipei City	Research and development, and selling digital home appliance	308,726	308,726	25,028	61%	503,434	(193,291)	(117,992)	"
The Company	AcBel Telecom	Taipei City	Investment activities	23,000	23,000	4,494	51%	32,700	(16,432)	(8,393)	"
The Company	Arcadyan UK	England	Technical support of wireless networking products	1,988	1,988	50	100%	3,555	446	446	"
The Company	Arcadyan AU	Australia	Selling of wireless networking products	1,161	1,161	50	100%	46,106	9,619	9,619	"
The Company	Arcadyan RU	Russia	Selling of wireless networking products	2,492	-	-	100%	2,142	(243)	(243)	"
The Company	CBN	Hsinchu City	Manufacturing and selling of broadband network products	11,925	11,925	533	1%	13,204	46,723	372	Investments accounted for using equity method
Arcadyan Holding	Sinoprime	British Virgin Islands	Investment activities	542,544 (USD19,050)	257,744 (USD9,050)	19,050	100%	453,544 (USD15,925)	(10,815) (USD(366))	Investment gain(losses) recognized by Arcadyan Holding	Sub-subsidiary
"	Arch Holding	British Virgin Islands	Investment activities	313,593 (USD11,011)	313,593 (USD11,011)	35	100%	886,668 (USD31,133)	62,526 (USD2,116)	"	"
Sinoprime	Arcadyan Vietnam	Vietnam	Manufacturing of wireless networking products	541,120 (USD19,000)	256,320 (USD9,000)	-	100%	449,357 (USD15,778)	(10,815) (USD(366))	Investment gain(losses) recognized by Sinoprime	"
TTI	Quest	Samoa	Investment activities	34,176 (USD1,200)	34,176 (USD1,200)	1,200	100%	32,776	(59,064)	Investment gain(losses) recognized by TTI	"
TTI	TTIC	Japan	Selling digital home appliance	9,626	4,130	0.7	100%	5,947	(1,588)	"	"
Quest	Exquisite	Samoa	Investment activities	33,322 (USD1,170)	33,322 (USD1,170)	1,170	100%	19,908 (USD699)	(59,068) (USD(1,999))	Investment gain(losses) recognized by Quest	"
AcBel Telecom	Leading Images	British Virgin Islands	Investment activities	-	1,424 (USD50)	-	-%	-	(14,432)	Investment gain(losses) recognized by AcBel Telecom	note 2
Leading Images	Astoria GmbH	Germany	Selling of wireless networking products	-	874 (EUR25)	-	-%	-	(768) (USD(26))	Investment gain(losses) recognized by Leading Images	note 3

(Continued)

ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net Income (Losses) of the Investee	Investment Income (losses)	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
ZHI-BAO	CBN	Hsinchu City	Manufacturing and selling of broadband network products	36,272	36,272	13,140	19.63%	325,386	46,723	Investment gain (losses) recognized by ZHI-BAO	Investments accounted for using equity method by subsidiary

Note 1: The amounts in New Taiwan Dollars were translated at the exchange rate of \$US29.549 / EUR\$33.709 based on the yearly average exchange rate for net income(losses) of the investees, others were translated at the exchange rate of US\$28.48/EUR\$34.94 based on the year-end date.

Note 2: The liquidation procedures had been completed on December 7, 2020.

Note 3: The liquidation procedures had been completed on October 14, 2020.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars US Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period	Note
					Outflow	Inflow							
SVA	Research and sale of wireless networking products	373,088 (USD13,100)	note 1	(Note 4) 524,602 (USD18,420)	-	-	524,602 (USD18,420)	35,282 (USD1,194)	100%	35,282 (USD1,194)	164,728 (USD5,784)	-	Note 3
CNC	Manufacturing of wireless networking products	354,576 (USD12,450)	"	(Note 5) 313,593 (USD11,011)	-	-	313,593 (USD11,011)	62,526 (USD2,116)	100%	62,526 (USD2,116)	886,668 (USD31,133)	-	"
TCH	Manufacturing of household electronics products	95,408 (USD3,350)	notes 1 and 7	32,752 (USD1,150)	-	-	32,752 (USD1,150)	(59,068) (US(1,999))	100%	(59,068) (USD(1,999))	19,423 (USD682)	-	"

Note 1: Investment in Mainland China through companies registered in a third region.

Note 2: The amounts in New Taiwan Dollars were translated at the exchange rate of \$US29.549 based on the yearly average exchange rate for net income(losses) of the investees, others were translated at the exchange rate of US\$28.48 based on the year-end date.

Note 3: The amounts are according to the financial statements which have been audited and certified by parent company's independent external CPA.

Note 4: The Company paid US\$18,420 thousands and acquired 100% shares of SVA from Accton Asia through Arcadyan Holding in 2010.

Note 5: The Company paid US\$8,561 thousands and acquired 100% shares of CNC from Just through Arcadyan Holding in 2007.

Note 6: SVA decreased its capital amounting to US\$15,000 thousands to offset its accumulated losses in March 2009.

Note 7: The Company's subsidiary, TTI, obtained control over TCH for US\$1,150 thousands on February 28, 2013 (base date of stock transferring).

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
870,947 (USD30,581)	870,947 (USD30,581)	6,965,617

Note: The amounts in New Taiwan Dollars were translated at the exchange rate of \$28.48 on December 31, 2020.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China for the year ended December 31, 2020, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(Continued)

ARCADYAN TECHNOLOGY CORPORATION
Notes to the Financial Statements

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Compal Electronics Inc.		41,304,504	19.81 %

(14) Segment information:

Please refer to the consolidated financial statements for the year ended 2020.

6. Status of Financial difficulties for the Company and its subsidiaries: None.



VII. Review of Financial Position, Financial Performance and Risk Management

1. Financial Position

(1) Assets, Liabilities and Equity for the Recent Two Years (Consolidated)

Unit: NT\$ thousand

Item	Year	2020	2019	Difference	
				Amount	%
Current assets		24,721,922	22,052,835	2,669,087	12.10
Investments accounted for using equity method		338,590	348,250	(9,660)	(2.77)
Property, plant, and equipment		2,518,009	2,312,578	205,431	8.88
Other assets		1,228,705	817,322	411,383	50.33
Total Assets		28,807,226	25,530,985	3,276,241	12.83
Current liabilities		15,368,928	13,044,806	2,324,122	17.82
Non-current liabilities		1,476,302	1,145,245	331,057	28.91
Total Liabilities		16,845,230	14,190,051	2,655,179	18.71
Ordinary shares		2,084,095	2,085,350	(1,255)	(0.06)
Capital surplus		3,661,594	3,703,916	(42,322)	(1.14)
Retained earnings		6,106,197	5,335,400	770,797	14.45
Other equity interests		(242,525)	(219,940)	(22,585)	10.27
Non-controlling equity		352,635	436,208	(83,573)	(19.16)
Total Equity		11,961,996	11,340,934	621,062	5.48

(2) Main reasons and impact of material variations

(Analysis of variations exceeding 20% and amounting exceeding NT\$10 million)

1. Other assets: Mainly due to increase in right-of-use assets as compared to the last period.
2. Non-current liabilities: Mainly due to increase in lease liabilities as compared to the last period.

(3) Material Change in Financial Position and Plans of Future for the Most Recent Two Years

In terms of the analysis from aforementioned causes, the material changes in Company's financial position for the recent two years are normal outcomes from operating activities.

2. Financial Performance:

(1) Operating revenue, operating income and pre-tax income for the Recent Two Years (Consolidated)

Unit: NT\$ thousand

Item	Year	2020	2019	Amount increase (decrease)	Fluctuation percentage (%)
		Total	Total		
Operating revenues		33,765,295	32,897,900	867,395	2.64
Operating costs		28,711,844	28,545,525	166,319	0.58
Gross profit		5,053,451	4,352,375	701,076	16.11
Operating expenses		2,769,974	2,624,863	145,111	5.53
Net operating income		2,283,477	1,727,512	555,965	32.18
Non-operating income and expenses		54,873	(24,688)	79,561	(322.27)
Net income before tax		2,338,350	1,702,824	635,526	37.32
Income tax expense		707,745	345,838	361,907	104.65
Net income		1,630,605	1,356,986	273,619	20.16
Other comprehensive income of the current period (after tax)		(97,919)	(53,703)	(44,216)	82.33
Total comprehensive income of the current period		1,532,686	1,303,283	229,403	17.60
Net income attributes to owners of the Parent		1,713,942	1,313,498	400,444	30.49
Net income attributable to non-controlling interests		(83,337)	43,488	(126,825)	(291.63)
Comprehensive income attributed to owners of parent		1,612,095	1,260,626	351,469	27.88
Comprehensive income attributed to non-controlling interests		(79,409)	42,657	(122,066)	(286.16)



(2) Main reasons of material variations

(Analysis of variations exceeding 20% and amounting exceeding NT\$10 million)

1. Net operating income: Mainly due to the growth in operating revenue, appropriate cost control and increase in operating margin.
2. Non-operating income and expenses: Mainly due to decrease in net loss on foreign currency exchange as compared with the previous year.
3. Net income before tax: Mainly due to the growth of operational scale in 2020, increase in gross profit and net operating income as compared with the previous year.
4. Income tax expense: Mainly due to increase in net income before tax for 2020 as compared with 2019.
5. Net income: Mainly due to the growth of operational scale in 2020, increase in gross profit and net operating income as compared with the previous year.
6. Other comprehensive income of the current period (after tax): Mainly due to increase in losses from currency exchange difference on the translation of financial statements for foreign operating organizations in 2020.
7. Net income attributes to owners of the Parent, Comprehensive income attributed to owners of parent: Mainly due to the growth of operating scale, gross profit and net operating income in 2020 as compared with the previous year.
8. Net income attributable to non-controlling interests, Comprehensive income attributed to non-controlling interests: Mainly due to the loss contributed by the subsidiary, Tatung Technology Inc.

(3) Forecast for sales for next year and basis for the forecast

Due to the pandemic of COVID-19, the global demand for remote work and cloud applications is rapidly increasing. Networking devices will continue to keep growing under the continuous construction of broadband infrastructure in various regions. The Company expects the shipment of broadband network products will grow by 5% to 10% in 2021 as compared to the preceding year.

(4) Potential impact on the Company's finances and sales in the future and response plan

In order to respond the growth in operation, the Company has established relevant financial strategies. For the funding needs for this year, please refer to the section on cash flow analysis for the coming year.

3. Cash Flow Analysis (Consolidated)

(1) Analysis for cash flow change in the Most Recent Year

Unit: NT\$ thousand

Cash and Cash Equivalents, Beginning of Year	Net cash flow from operating activities	Cash Outflow	Foreign exchange adjustments	Cash Surplus	Financing of cash deficit	
					Investment Plans	Financing Plans
7,607,559	3,352,208	(1,858,671)	(21,328)	9,079,768	N/A	N/A

- Net cash inflow from operating activities amounted to NT\$3,352,208 thousand: Mainly due to increase in net income in the current period.
- The cash outflow from investment amounted to NT\$884,623 thousand: Mainly due to acquiring of property, plant and equipment and right-of-use assets.
- Net cash outflow from financing activities amounted to NT\$974,048 thousand: Mainly due to the disbursement of cash dividends for the period.

(2) Plans to improve insufficient liquidity: Not applicable.

(3) Cash Flow Analysis for the Coming Year:

Unit: NT\$ thousand

Cash and Cash Equivalents, Beginning of Year	Estimated net cash flow from operating activities for the year	Estimated cash outflow for the year	Estimated Cash Surplus	Estimated Financing of Cash Deficit	
				Investment Plans	Financing Plans
9,079,768	3,620,000	(3,300,000)	9,399,768	N/A	N/A

- Estimated net cash flow from operating activities for the year of NT\$3,620,000 thousand: Mainly expect cash inflow generated from operating activities.
- Estimated net cash flow from financing activities for the year of NT\$1,800,000 thousand: Mainly expect to increase in capital expenditure for 2021.
- Net cash flow used in financing activities amounted to NT\$1,500,000 thousand: Mainly due to the disbursement of cash dividend for 2020.



4. Major Capital Expenditures and Impact on Finance and Business in the Most Recent Year

(1) Major capital expenditures and sources of capital:

Unit: NT\$ thousand

Item	Actual or expected source of capital	Actual or expected completion date	Capital required	Actual or expected capital use	
				2020	2021
Plant and equipment acquired	Private Capital	2021	794,885	183,474	611,411
Land purchase	Private Capital	2021	415,480	-	415,480

(2) Expected Benefits

To cater to business growth, the Company expands production capacity and increases investments in equipment; Besides, due to expansion of human resources, the Company purchased land to construct new office building for operation use.

5. Investment Policy in the Most Recent Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

(1) Investment policy for the Most Recent Year

The investment strategy of the Company is strengthening the vertical integration of the supply chain, and expanding product lines and operational scale to lower production costs, as well as focusing on the development of broadband wireless networking industry to accumulate the core resources and strengthen core competency of the Company.

(2) Causes of profit or loss incurred on investments in the Most Recent Year, and any plan for improvement

Recently, the overall benefit by making effort in actively adjusting product strategy and developing new customers is emerging gradually. Even though part of the utilization of production capacity has not reached economy of scale, the overall net investment income of investment accounted for equity method is amounted to NT\$9,551 thousand in 2020. In the future, the Company shall continue to strive to acquire new business, raise the utilization of production capacity and strengthen post investment management, regularly examine the return on investment.

(3) Investment plans for the coming year

In the coming year, there is no major investment project.

6. Risk Management

(1) For the Most Recent Year up to the Publication Date of this Annual Report, the impact of fluctuation in interest rates, foreign exchange rates, and inflation on Net Income of the Company and future response measures:

1. Impact of interest rates fluctuations and response measures

The net interest expense of the Company for 2020 amounted to NT\$796 thousand or less than 0.01% of net sales revenue or 0.03% of net operating income. The net interest income in the first quarter of 2021 amounted to NT\$7,271 thousand or 0.08% of net sales revenue or 1.18%



of net operating income. The Company maintains good relationships with the banks to acquire competitive interest rates and keep proper lending ratios. Therefore, the fluctuation in interest rates does not have material impact on the Company.

2. Impact of foreign exchange rates fluctuations and response measures

The sales and purchase of the Company are mainly denominated in USD. Meanwhile, part of the sales are denominated in EUR and there are also some CNY assets. The foreign currency assets are greater than liabilities. The net exchange losses (including valuation of financial instruments) for 2020 amounted to NT\$1,457 thousand or 0.004% of net sales revenue or 0.06% of net operating income; the net exchange losses (including valuation of financial instruments) in the first quarter of 2021 amounted to NT\$41,164 thousand or 0.43% of net sales revenue or 6.68% of net operating income. In 2020, the exchange losses were mainly due to the appreciation of TWD; then for the first quarter of 2021 was due to the depreciation of EUR.

The Company's countermeasures against exchange rate fluctuation are as follows:

- A. The company has certain receivables and payables resulting from sales and Purchase to be denominated in the same foreign currency. Therefore, it generates natural hedge effect offsetting the exposure of foreign currency. Furthermore, the net foreign currency position is monitored and managed by dedicated financial personnel who evaluate the trend and information of exchange market, exchanging currencies in a proper time to lower risk and cater the capital needs of the Company.
- B. To maintain close relationship with banks and fully grasp the change in foreign exchange market that can serve as the reference for the relevant personnel to obtain the favorable price in time and respond in time.
- C. The Company has established "Procedures for the Acquisition and Disposal of Assets", governing the related procedures for derivative financial instruments. Meanwhile, depending on the foreign currency position and fluctuation of currency, the Company undertakes necessary measures to reduce the foreign currency exchange risk

resulting from the business operation of the Company.

3. Impact of inflation and response measures

The net income of the Company has not been materially impacted by inflation in the past. If inflation causes an increase in the cost of purchases, the Company shall also adjust the prices of products properly.

The Company will closely monitor the impact of interest rates, foreign exchange rates and inflation toward the profit of the Company and will take corresponding measures in time.

(2) For the Most Recent Year up to the Publication Date of this Annual Report, Policies, Main Causes of Gain or Loss, and Future Response Measures with Respect to High-risks, Highly-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

1. The Company focuses on its main business and does not make high-risk, highly-leveraged investments, all investments are executed after assessment prudently.
2. The Company only offers financing to its related parties, mainly providing short-term financing for their operating needs. These transactions are executed in accordance with “Procedures for Lending Funds to Other Parties”.
3. The Company is not engaged in endorsement and guarantee activities currently. If necessary, the endorsement and guarantee should be performed by parent company to subsidiaries only. The arrangements are also regulated by ” Procedures for Endorsements and Guarantees”.
4. The book value of derivatives financial instruments held as of December 31, 2020 and March 31, 2021 are as follows:

<u>Item</u>	<u>December 31, 2020</u> <u>Book value</u>	<u>March 31, 2021</u> <u>Book value</u>
Current financial assets mandatorily measured at fair value through profit or loss		
Derivative instruments not used for hedging:	11,069	32,692
Held-for-trading financial liabilities:	54,417	28,142



The main reason to use financial derivatives instruments (including forward exchange contracts and swap trading) is for hedging purposes, mainly to mitigate the risks arisen from fluctuation of foreign exchange rates and interest rates to net position of foreign currency assets and liabilities, and not for speculation purposes. In addition to following the regulations stipulated by the competent authorities and GAAP, the Shareholders' Meeting also adopted a resolution to the establishment of "Procedures for the Acquisition and Disposal of Assets" to govern the transactions concerning derivative financial instruments.

(3) For the Most Recent Year up to the Publication Date of this Annual Report, future research & development project and budget:

In recent years, the Company is moving toward developing highly integrated, high value-added products. The relevant R&D projects and their progresses proceed as planned. In the future, the Company shall continue to invest in R&D for new products, developing niche market products, retaining talents, capital and technology and striving for the leading position in R&D capability. The Company estimates the R&D expenditure in 2021 will be amounted to NT\$2,000,000 thousand.

(4) For the Most Recent Year up to the Publication Date of this Annual Report, effects of and response to changes in local and foreign policies and regulations relating to corporate finance and business:

The Company conforms to the corporate governance regulations, Company Act and Securities and Exchange Act and amended by the competent authorities. Further, the Management of the Company closely monitor the changes of both domestic and foreign important policies and regulations, engaging legal consultants for advisory services, and undertaking countermeasures in a timely manner.

(5) For the Most Recent Year up to the Publication Date of this Annual Report, effects of and response to changes in technology and industry relating to corporate finance and business:

The newly established New Business Center caters to the future demands of related products and many new technologies and study ahead of time, such as material research, simulation of design structures and etc. Besides, the Company organizes a professional patent team to manage the valuable IP of the Company. Meanwhile, the knowledge process team is solely responsible for institutionalizing processes and knowledge management.

As such, the Company is able to respond quickly and properly respond on changes in technology and industry.

(6) For the Most Recent Year up to the Publication Date of this Annual Report, the impact of changes in corporate image on corporate risk management, and the Company's response measures:

The Company adopts the principle of stability and prudence as its business philosophy. With a good corporate reputation, the Company has been publicly listed since March 2009 and continues to attract outstanding talents into its organization, strengthening the capability of the management team, giving the business results back to the Shareholders and fulfilling the corporate social responsibility. Currently, there is no incident to cause a corporate crisis because of the change of corporate image.

(7) For the Most Recent Year up to the Publication Date of this Annual Report, expected benefits from, risks relating to, and response to merger and acquisition plans: None.

(8) For the Most Recent Year up to the Publication Date of this Annual Report, expected benefits from, risks relating to, and response to factory expansion plans:

To cater to the growth of operating scale, the appropriate diversification of production bases to overseas locations so that can also increase production capabilities and take up more orders. The new factory in Vietnam has started construction since the second half of 2020. It is estimated that the construction shall be completed and the factory shall enter into mass production in the fourth quarter of 2021. It shall be beneficial to the growth of sales revenue and profitability, as well as expanding the market share. The operational and financial feasibility of expansion and construction of factory are all assessed by the technical teams before execution, so as to mitigate the potential risks and prepare for the relevant countermeasures.

(9) For the Most Recent Year up to the Publication Date of this Annual Report, risks relating to and response to excessive concentration of purchasing sources and excessive customer concentration:

1. Purchase: In addition to purchase finished products from affiliated companies (the factories in Mainland China and Vietnam),



purchase orders of other major raw materials (such as chipset) are placed with several international brand name companies. The Company has also built up good relationships with other suppliers and thus has no risk from lack of diversification.

2. Sales: The main sales products of the Company are broadband wireless networking products. For the most recent year, the top 10 major customers are all well-known telecommunication operators or information technology brand name companies. As such, there is no risk from lack of diversification.

(10) For the Most Recent Year up to the Publication Date of this Annual Report, effects of, risks relating to, and response to large share transfers or changes in shareholdings by Directors, Supervisors, or Shareholders with shareholdings of over 10%: None.

(11) For the Most Recent Year up to the Publication Date of this Annual Report, effects of, risks relating to, and response to the changes in management: None.

(12) For the Most Recent Year up to the Publication Date of this Annual Report, for litigation or non-litigation cases involving the Company, Directors, Supervisors, President, actual persons in-charge, major Shareholders with a stake over 10% or affiliates that have been concluded or are still pending, and have material impact on the Shareholders' interest or security price, disclosure should be made regarding the content of the disputes, the sum of penalty or claim, the commencement date of the suits, the parties involved and the status as of the publication date of the annual report:

TAE Cable Product Defect litigation case, the defendant is Tung-Li Electronics Enterprise Co., Ltd (hereafter refer to "Tung-Li") who provided a component necessary for the assembly of networking products – TAE Cable (cables). In 2011, Arcadyan Technology Corporation (hereafter refer to "Arcadyan") filed a lawsuit against Tung-Li in Banciao District Court. Banciao District Court and Taiwan High Court both ruled in for Arcadyan's favor and the total compensation payable by Tung-Li amounted to: Euro1,842,007.67, US\$110,009.57 and NT\$385,288. High

Court affirmed the judgement of the lower court. Tung-Li appealed the case to Supreme Court. Tung-Li was unhappy with the ruling and filed for the third appeal. The Supreme Court remanded the case to the High Court. On July 8, 2020, in the remanded trial, the High Court ruled that Tung-Li had to compensate the Company 70% of the damages, i.e., EUR1,289,405.32, US\$77,006.99 and NT\$269,702.60. Both parties were dissatisfied with the ruling and filed for appeal to the Supreme Court. On April 19, 2021, the Supreme Court denied both appeals and the case was concluded.

In the legal proceeding, the Company has received NT\$28 million from the provisional execution. Any shortfall shall be recovered from the defendant, Tung-Li in accordance with legal proceeding. The conclusion of the aforementioned litigation shall not pose any major financial and operational consequences to the Company.

Further, the Corporate Director of the Company, Compal Electronics Inc. (Compal Electronics hereafter) is involved in the following lawsuits: As an ex-employee of Inventec Corporation (hereafter, Inventec) joined the Group, Inventec accused the Group for violating the Trade Secrets Act and Copyright Act, and demanded for damages. Inventec filed a lawsuit with the Taiwan Taipei District Prosecutor's Office in August 2019 and sued the Group at the Taipei District Court. The Group appointed lawyers for representation immediately to protect its interests. The Taipei District Court was in the opinion that whether the Group had violated the Trade Secrets Act was depending on whether the ex-employee had indeed violated the Trade Secrets Act and Copyright Act. Therefore, at the beginning of the year, the court ruled that before the criminal case of the ex-employee was ruled upon, this case shall be put on hold. The case against the ex-employee is still under trial in the Taipei District Court, and therefore, the impact of the case is too soon to be estimated for now.

(13) Other major risks and countermeasures:

1. Risk management of information security.

(1) Information security:



Due to the growing importance of information security for the industries nowadays, in 2021, the Top Management instructed the Company to conform to the international standards, strengthen the relevant operations to meet the requirements of the regulations, contracts, customers and suppliers, and obtain international information security certification, so as to ensure the effectiveness of the relevant operations.

(2) Risk management structure of information security

Under the instruction of the Top Management to adopt the international standards of ISO27001 and ISO27005 so as to maintain the information security, the Company established the business management committee, management representatives of information security, ISMS documentation editing team, risk management and assessment team, and internal audit team to manage the relevant information security risks. The business management committee also stipulates that for twice a year, the aforementioned teams must report on the relevant policies, measures and risks, so as to implement risk management.

(3) Policy of information security:

The Company adopts a principle that is simple, easy to remember and meeting the objective of information security management, establishing a statement of information security policy proclaiming, “Information security is the duty of everybody.” The Company also uses the “Plan— Execute —Supervise and Review—Maintain and Improve” model to develop, maintain and improve continuously on the documentation of the information security management system.

(4) Managing measures:

The Company implements the policies, managing procedures, guidelines and regulations stipulated by various unit, conducts internal and external audits on a regular basis and successfully obtains the ISO27001 and ISO27005 certifications. For the relevant risks of information assets, the Company conforms to the regulations of the international standards, implements the risk evaluation of the information assets, and according to the characteristics of each risk, and implements the appropriate control measures to lower or transfer the risk, as to achieve the goal of risk management. Meanwhile, in March 2020, the Company purchased insurance for information

security. The insurance contract for this year has been renewed.

2. Countermeasures for risk on environment, society and corporate governance topics:

Major Topics		Illustration of risks	Risk management policies and strategies
Corporate governance	Business performance	Operating revenue, costs and other material financial information	<ol style="list-style-type: none"> 1. Expanding the market scale, reducing the fluctuation of operating revenue result from the lack of customer diversification. 2. Improving cost management and increase gross profit of products. 3. Monitoring foreign currency position to reduce the impact of exchange gain or loss to corporate performance.
	Integrity Management	The integrity management and anti-corruption policies, and supervising mechanism.	<ol style="list-style-type: none"> 1. Establishing and conforming to “Ethical Corporate Management Best Practice Principles” and “Business Integrity Procedures and Behaviors”. 2. The Internal Audit Division shall oversee and implement, then report to the Board of Directors on a regular basis. 3. Setting up a specific email address to receive malpractice reports from inside or outside of the Company. The appropriate department and personnel shall be assigned to handle the reports depending on the nature of the underlying issue and persons involved.
	Technology and R&D	Submitting innovative methods of conducting R&D and management in terms of technology, manufacturing process and products.	<ol style="list-style-type: none"> 1. The Company follows closely the development of 3GPP of 5G/4G standard, timely interprets the latest version of technology and market demand for products, and emphasizes the application of crucial technologies on all product lines to ensure the technological advantages over other counterparts in the industry. 2. The Company adopts R&D incentive mechanism, giving high rewards to induce a new internal atmosphere of innovation on technology, manufacturing process and various aspects of products, so as to create a positive R&D cycle.
	Customer service	Product safety, customer satisfaction survey and customer management	<ol style="list-style-type: none"> 1. The Company launched the quality management system standard, TL 9000. The quality of its products are performing better than average in the telecommunication industry. 2. The Company works hard to provide good product quality and many solutions in hope of meeting the highest standard of customers. Every year, the Company conducts customer satisfaction survey. The Company has scored more than 84% in every area.

Review of Financial Position, Financial Performance and Risk Management



Major Topics		Illustration of risks	Risk management policies and strategies
			3. The Company communicates with customers via Quarterly Business Review (QBR).
	Supply chain management	Supervision and management of supply chain to reduce the potential risks of social and environmental assessment issue of the suppliers.	<ol style="list-style-type: none"> 1. Conforming to the requirements on supplier management of TL 9000, the Company conducts evaluation on its suppliers and devises the audit plan according to the monthly performance on quality of the suppliers. 2. Conforming to the requirements on environment management system of ISO 14001 and the internal management standard on hazardous substances, the Company conducts hazardous substance monitoring and conflict minerals investigations on suppliers. 3. Conforming to the requirements on business continuity management systems of ISO 22301, the Company conducts supply chain risk evaluation on a regular basis and devises response measures and plans correspondingly. 4. The Company requires suppliers to submit declaration statement to meet CSR and production basis to conduct CSR audit on suppliers. 5. To cater to the updates in environmental protection standard of customers, requirements of global environmental protection regulations and requirements of green product management system, the Company has implemented QC080000 hazardous substance management procedures in the production centers to meet the customer requirements, protect the health and safety of customers, actively develop halogen free products and fulfill its commitment in not using components of conflict minerals.
Environment	Green products	Product development and product safety management to reduce the impact on the environment	<ol style="list-style-type: none"> 1. The Company closely monitors the changes of international regulations, continuously promoting and implementing the ecosystem and green designs in products, so as to adopt innovative technology to reduce the impact on the environment and enhance product safety. 2. From raw material procurement, suppliers must meet the component and hazardous chemical management standards. The Company has established component acceptance standard in pursuant to REACH, RoHS, HSF and other international regulations. 3. The Company ensures all the mass production products to obtain safety certification. 4. In 2021, the Company passed the certification of BS 8001 certification on circular economy and introduce it in the development process of product design. The

Major Topics		Illustration of risks	Risk management policies and strategies
			Company is able to maximize the value of products, components and material. With a design that enables easy recycling and re-using, the Company is able to fulfill the customer requirements on circular economy and meet its targets in eco-friendliness.
Society	Labor relations	Compensation, welfare and incentive systems, employment method, communication with Employees, organizational commitment and solidarity.	<ol style="list-style-type: none"> 1. Conforming to Labor Standards Act and other relevant regulations to ensure the legal rights of Employees. 2. Establishing Staff Benefit Committee and organizing activities such as forming various societies, touring, holding birthday celebration to increase interaction. 3. Holding meetings with labors on a regular basis to express opinion and provide a communication channel, so as to maintain a good labor relations.
	Staff Training	The planning, management and evaluation for staff training	Under the philosophy of talent cultivation and conforming to the Company core value of “Innovation, Harmony, Surpass and Service,” the Company has organized many different courses, encouraging employees to take part actively, consistently furthering their R&D knowledges, keeping an innovative mind and ensuring the leading position of the Company in technology.
	Occupational safety and health	Maintenance of healthy work place, occupational injury ratio, occupation disease, turn over and attendance rate	<ol style="list-style-type: none"> 1. The Company implements ISO 45001 occupational safety and health management system and conducts occupational safety and health risk evaluation. By quantifying the risk ranking, the Company is able to devise improvement measures consistently and lower the occupational safety and health risk facing the employees at workplace. 2. The Company conducts many training courses pertaining to occupational safety and health regulations, analysis and treatment of work accidents, key points of emergency response and fire safety education and drills every year. 3. The Company arranges for medical checkups for all employees on a regular basis, establishes health centers, hires professional medical staff, doctors and engages hospitals and clinics. These are efforts of the Company in realizing “Health Education,” “Health Promotion” and “Health Management” to protect the health of all employees. 4. The Company has established four guidelines on labor health protection, namely “Measures for Preventing and Managing Abnormal Workload-triggered Disorders,” “Measures for Maternity Health Protection at the Workplace,” “Measures for Preventing



Major Topics		Illustration of risks	Risk management policies and strategies
			Ergonomic Hazards” and “Measures for Preventing Wrongful Harms at Discharging Duties.” The guidelines are aimed to create a friendly workplace and reduce risks of occupational hazards.
	Human rights	The Company guarantees the human rights of the Employees, ensures the right to assemble and collective bargaining, anti-discrimination and disallows child labor.	<ol style="list-style-type: none"> 1. The Company has established “CSR Procedures” to ensure labor rights, freedom of association and collective bargaining rights and anti-discrimination. 2. Employees who encounter any kind of threats, abuses, exploitation, coercion or harassment can file a complaint via e-mail (hr_hq@arcadyan.com) or hotline. 3. The Company and employees maintain a good relationship via a diversified and unhindered negotiation mechanism.

7. Other Material Matters: None.

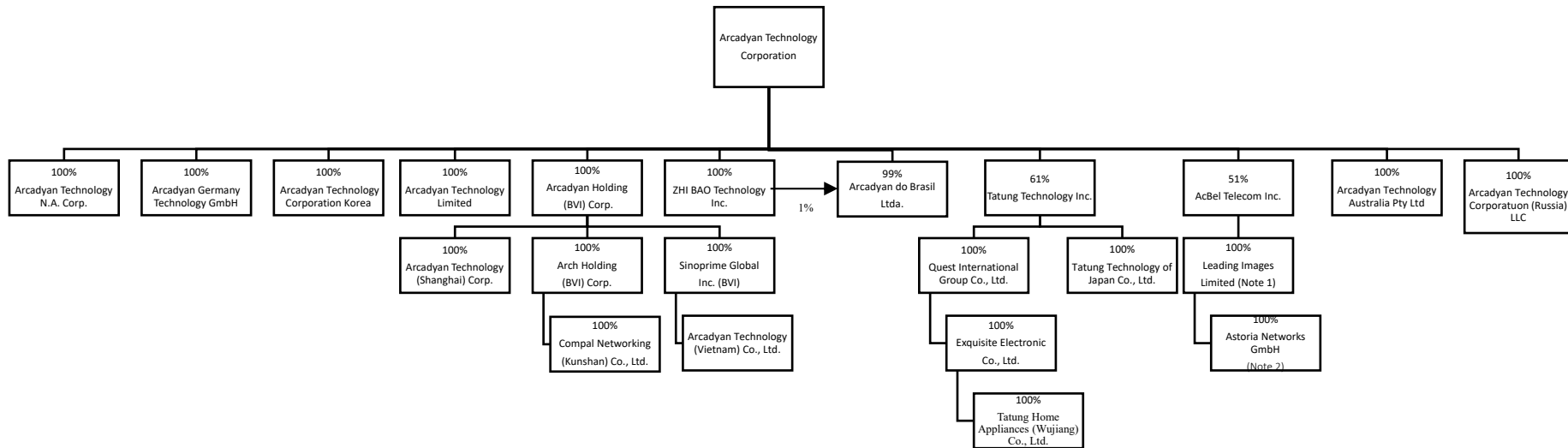
VIII. Special Disclosure

1. Summary of Affiliated Companies

(1) Consolidated business reports with affiliated enterprises

1. Affiliated enterprises chart

December 31, 2020



Note 1: Liquidation procedures were completed on December 7, 2020.

Note 2: Liquidation procedures were completed on October 14, 2020.

2. Basic Information of Affiliated Companies

December 31, 2020

Unit: NT\$ thousand

Company Name	Date of Establishment	Address	Paid-up capital	Main business activities or products
Arcadyan Technology N.A. Corp.	July 30, 2003	5450 Thornwood Dr, Unit J Floor 2 San Jose CA 95123-1222, USA	USD 669	Sales of wireless networking products
Arcadyan Germany Technology GmbH	April 11, 2007	Koelner Strasse 10b D-65760 Eschborn, Germany	EUR 25	Technical support for wireless networking products
Arcadyan Technology Corporation Korea	October 16, 2014	103-1109RM SK Ventium 166, Gosan-ro, Gunpo-si, Gyeonggi-do, Republic of Korea 15850	KRW 100,000	Sales of wireless networking products
Arcadyan do Brasil Ltda.	April 24, 2015	Avenida Dr. Delfim Moreira, 356-SL 202, Centro, Minas Gerais, Santa Rita, Brazil. CEP 37540-000	BRL 9,682	Sales of wireless networking products
Arcadyan Technology Limited	August 16, 2016	183 Fraser Road, Sheffield, S80JP, United Kingdom	GBP 50	Technical support of wireless networking products
Arcadyan Technology Australia Pty Ltd	March 28, 2017	37 Midlothian Street Malvern East VIC 3145	AUD 50	Sales of wireless networking products
Arcadyan Technology Corporation (Russia), LLC	June 2, 2020	17/2, Skakovaya street, floor 7, room 2, Moscow, Russia, 125040	RUB 6,200	Sales of wireless networking products
Arcadyan Holding (BVI) Corp.	March 7, 2007	Coastal Building, Wickham's Cay II, P.O. Box 2221, Road Town, Tortola, British Virgin Islands	USD 69,780	General investments
Sinoprime Global Inc.(BVI)	December 29, 2004	Coastal Building, Wickham's Cay II, P.O. Box 2221, Road Town, Tortola, British Virgin Islands	USD 19,050	General investments
Arcadyan Technology (Vietnam) Co., Ltd.	March 26, 2019	Ba Thien Industrial Park, Ba Hien commune, Binh Xuyen district, Vinh Phuc Province	USD 19,000	Production and sales of wireless networking products
Arcadyan Technology (Shanghai) Corp.	April 17, 2002	4F, Block 3, No. 80 Huashen Road, Free Economic Pilot Zone, Shanghai, China	USD 13,100	Research and sales of wireless networking products
Arch Holding (BVI) Corp.	May 24, 2007	Coastal Building, Wickham's Cay II, P.O. Box 2221, Road Town, Tortola, British Virgin Islands	USD 10,550	General investments
Compal Networking (Kunshan) Co., Ltd.	June 26, 2006	No. 520 Nanbang Road, Economic & Technological Development Zone, Kunshan, Jiangsu, China, China	USD 12,450	Production and sales of wireless networking products
Zhi Bao Technology Inc.	August 10, 2009	5F, No. 58, Lane 188, Ruiguang Road, Neihu District, Taipei City	TWD 349,800	General investments
Tatung Technology Inc.	January 21, 2008	10F, No. 288, Section 6, Civic Boulevard, Xinyi District, Taipei City	TWD 410,000	Development and sale of digital home electronics

Company Name	Date of Establishment	Address	Paid-up capital	Main business activities or products
Tatung Technology of Japan Co., Ltd.	November 22, 2017	1 Chome-2-18, Mita, Minato-ku, Tokyo-to, Japan	JPY 35,000	Sales of digital home electronics
Quest International Group Co., Ltd.	December 11, 2012	Level 2, Lotemau Centre, Vaea Street, Apia, Samoa	USD 1,200	General investments
Exquisite Electronic Co., Ltd.	February 3, 2012	Level 2, Lotemau Centre, Vaea Street, Apia, Samoa	USD 1,170	General investments
Tatung Home Appliances (Wujiang) Co., Ltd.	February 13, 2001	No. 508 Youming Road, Songling Town, Wujiang District, Suzhou, Jiangsu, China	USD3,350	Production and sales of digital home electronics
AcBel Telecom Inc.	November 29, 2004	5F, No. 58, Lane 188, Ruiguang Road, Neihu District, Taipei City	TWD87,990	General investments
Leading Images Limited (Note1)	January 2, 2008	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	USD 50	General investments
Astoria Networks GmbH (Note2)	September 22, 2008	Koelner Strasse 10b D-65760 Eschborn, Germany	EUR 25	Sales of wireless networking products

Note 1: Liquidation procedures were completed on December 7, 2020.

Note 2: Liquidation procedures were completed on October 14, 2020.

3. Business activities and relationships of affiliated enterprises

December 31, 2020

Industry	Name of Affiliated Enterprises	Business Relations with Other Affiliated Enterprises
Holding Company	Arcadyan Holding (BVI) Corp.	invests in Sinoprime Global Inc.(BVI), Arch Holding (BVI) Corp., Arcadyan Technology (Shanghai) Corp.
	Arch Holding (BVI) Corp.	Invested in Compal Networking (Kunshan) Co., Ltd.
	Zhi Bao Technology Inc.	Invested in Arcadyan do Brasil Ltda.
	Quest International Group Co., Ltd.	Invested in Exquisite Electronic Co., Ltd.
	Exquisite Electronic Co., Ltd.	Invested in Tatung Home Appliances (Wujiang) Co., Ltd.
	AcBel Telecom Inc.	Invested in Leading Images Limited
	Leading Images Limited	Invested in Astoria Networks GmbH
	Sinoprime Global Inc.(BVI)	Invested in Arcadyan Technology (Vietnam) Co., Ltd.
Wholesaling of Electronics	Arcadyan Technology N.A. Corp.	Sales of Wireless Networking Products
	Arcadyan Technology Corporation Korea	Sales of Wireless Networking Products
	Arcadyan do Brasil Ltda.	Sales of Wireless Networking Products
	Arcadyan Technology Australia Pty Ltd	Sales of Wireless Networking Products
	Arcadyan Technology Corporation (Russia), LLC	Sales of Wireless Networking Products

Industry	Name of Affiliated Enterprises	Business Relations with Other Affiliated Enterprises
	Tatung Technology Inc.	Research and Sales of digital home electronics
	Tatung Technology of Japan Co., Ltd.	Sales of digital home electronics
	Astoria Networks GmbH	Sales of Wireless Networking Products
	Arcadyan Germany Technology GmbH	Sales and Technical support for wireless networking products
Manufacturing of electronics	Compal Networking (Kunshan) Co., Ltd.	Production and sales of wireless networking products
	Arcadyan Technology (Vietnam) Co., Ltd.	Production and sales of wireless networking products
	Tatung Home Appliances (Wujiang) Co., Ltd.	Production and sales of digital home electronics
Technical Service	Arcadyan Technology (Shanghai) Corp.	Research and sales of wireless networking products
	Arcadyan Technology Limited	Technical support of wireless networking products

4. Directors, Supervisors and President of Affiliated Companies

December 31, 2020; Unit: share; %

Company Name	Position	Name or Representative	Shares Held	
			Number of Shares	Percentage of Shareholding
Arcadyan Technology N.A. Corp.	Director	Arcadyan Technology Corporation. (Representative: Chen Jui-Tsung)	1,000	100%
	Director	Arcadyan Technology Corporation. (Representative: Tseng Chao-Peng)	1,000	100%
	President	Tseng Chao-Peng	0	0%
Arcadyan Germany Technology GmbH	Manager	Arcadyan Technology Corporation. (Representative: Tseng Chao-Peng)	500	100%
Arcadyan Technology Corporation Korea	Director	Arcadyan Technology Corporation. (Representative: Tseng Chao-Peng)	20,000	100%
Arcadyan do Brasil Ltda.	Manager	Hsiun Nien-Cheg	964,510	99%
Arcadyan Technology Limited	Director	Arcadyan Technology Corporation. (Representative: Tseng Chao-Peng)	50,000	100%
	Director	Arcadyan Technology Corporation. (Representative: Lin Keng-Tien)	50,000	100%
Arcadyan Technology Australia Pty Ltd	Director	Arcadyan Technology Corporation. (Representative: Tseng Chao-Peng)	50,000	100%
	Director	Arcadyan Technology Corporation. (Representative: Lu Fong-Yu)	50,000	100%
	Director	Arcadyan Technology Corporation. (Representative: Linda, Chu)	50,000	100%

Company Name	Position	Name or Representative	Shares Held	
			Number of Shares	Percentage of Shareholding
Arcadyan Technology Corporation (Russia), LLC	Manager	Isakova Nadezhda Pavlovna	0	100%
Arcadyan Holding (BVI) Corp.	Director	Arcadyan Technology Corporation. (Representative: Chen Jui-Tsung)	69,780,148	100%
	Director	Arcadyan Technology Corporation. (Representative: Tseng Chao-Peng)	69,780,148	100%
Sinoprime Global Inc.(BVI)	Director	Arcadyan Holding (BVI) Corp. (Representative: Chen Jui-Tsung)	19,050,000	100%
	Director	Arcadyan Holding (BVI) Corp. (Representative: Tseng Chao-Peng)	19,050,000	100%
Arcadyan Technology (Vietnam) Co., Ltd.	Chairman & President	Sinoprime Global Inc.(BVI) (Representative: Tseng Chao-Peng)	0	100%
Arch Holding (BVI) Corp.	Director	Arcadyan Holding (BVI) Corp. (Representative: Chen Jui-Tsung)	34,900	100%
	Director	Arcadyan Holding (BVI) Corp. (Representative: Tseng Chao-Peng)	34,900	100%
Arcadyan Technology (Shanghai) Corp.	Chairman	Arcadyan Holding (BVI) Corp. (Representative: Tseng Chao-Peng)	0	100%
	Director	Arcadyan Holding (BVI) Corp. (Representative: Lu Ching-Hsiung)	0	100%
	Director	Arcadyan Holding (BVI) Corp. (Representative: Lu Fong-Yu)	0	100%
	Director	Arcadyan Holding (BVI) Corp. (Representative: Liu Chung-Pao)	0	100%
	Director	Arcadyan Holding (BVI) Corp. Representative: Chen Chien-Ling)	0	100%
	Supervisor	Arcadyan Holding (BVI) Corp. (Representative: Huang Shih-Wei)	0	100%
	President	Liu Chung -Pao	0	0%
Compal Networking (Kunshan) Co., Ltd.	Chairman	Arch Holding (BVI) Corp. (Representative: Lu Fong-Yu)	0	100%
	Director	Arch Holding (BVI) Corp. (Representative: Chen Jui-Tsung)	0	100%
	Director	Arch Holding (BVI) Corp. (Representative: Tseng Chao-Peng)	0	100%
	Supervisor	Arch Holding (BVI) Corp. (Representative: Lu Ching-Hsiung)	0	100%
	President	Liu Chung -Pao	0	0%
Zhi Bao Technology Inc.	Chairman	Arcadyan Technology Corporation. (Representative: Tseng Chao-Peng)	34,980,000	100%
	Director	Arcadyan Technology Corporation. (Representative: Wang Cheng-Chiang)	34,980,000	100%
	Director	Arcadyan Technology Corporation. (Representative: Lu Ching-Hsiung)	34,980,000	100%
	Director	Arcadyan Technology Corporation. (Representative: Lu Fong-Yu)	34,980,000	100%
	Supervisor	Arcadyan Technology Corporation. (Representative: Huang Shih-Wei)	34,980,000	100%
	President	Tseng Chao-Peng	0	0%

Company Name	Position	Name or Representative	Shares Held	
			Number of Shares	Percentage of Shareholding
Tatung Technology Inc.	Chairman	Arcadyan Technology Corporation. (Representative: Tseng Chao-Peng)	25,027,910	61%
	Director	Arcadyan Technology Corporation. (Representative: Lu Fong-Yu)	25,027,910	61%
	Director	Arcadyan Technology Corporation. Representative: Chen Chien-Ling)	25,027,910	61%
	Director	Arcadyan Technology Corporation. (Representative: Hsiung Nien-Che)	25,027,910	61%
	Director	Arcadyan Technology Corporation. (Representative: Dang Li-Wei)	25,027,910	61%
	Director	Shang Chi Investment Co., Ltd. (Representative: Lin Chia-Tien)	1,027,056	3%
	Director	Chunghwa Investment Holding Company (Representative: Chien Chih-Cheng)	4,570,830	11%
	Supervisor	Huang Shih-Wei	0	0%
	Supervisor	Chi Sheng Investment Co., Ltd. (Representative: Lin Chang-Chuan)	2,727,272	7%
	Supervisor	Liang I-Yu (Note 3)	0	0%
President	Dang Li-Wei	1,062,935	3%	
Tatung Technology of Japan Co., Ltd.	Chairman	Tatung Technology Inc. (Representative: Dang Li-Wei)	700	100%
	Director	Tatung Technology Inc. (Representative: Tseng Chao-Peng)	700	100%
Quest International Group Co., Ltd.	Director	Tatung Technology Inc. (Representative: Tseng Chao-Peng)	1,200,000	100%
	Director	Tatung Technology Inc. (Representative: Dang Li-Wei)	1,200,000	100%
Exquisite Electronic Co., Ltd.	Director	Quest International Group Co., Ltd. (Representative: Tseng Chao-Peng)	1,170,000	100%
	Director	Quest International Group Co., Ltd. (Representative: Dang Li-Wei)	1,170,000	100%
Tatung Home Appliances (Wujiang) Co., Ltd.	Chairman	Exquisite Electronic Co., Ltd. (Representative: Lu Fong-Yu)	0	100%
	Director	Exquisite Electronic Co., Ltd. (Representative: Tseng Chao-Peng)	0	100%
	Director	Exquisite Electronic Co., Ltd. (Representative: Dang Li-Wei)	0	100%
	Supervisor	Exquisite Electronic Co., Ltd. (Representative: Huang Shih-Wei)	0	100%
	President	Dang Li-Wei	0	0%
AcBel Telecom Inc.	Chairman	Arcadyan Technology Corporation. (Representative: Tseng Chao-Peng)	4,494,111	51%
	Director	Arcadyan Technology Corporation. (Representative: Lu Fong-Yu)	4,494,111	51%
	Director	AcBel Polytech Inc. (Representative: Hsu Chieh-Li)	4,292,216	49%
	Supervisor	Huang Shih-Wei	0	0%
	President	Lu Fong-Yu	0	0%

Company Name	Position	Name or Representative	Shares Held	
			Number of Shares	Percentage of Shareholding
Leading Images Limited (Note 1)	Director	AcBel Telecom Inc. (Representative: Tseng Chao-Peng)	50,000	100%
	Director	AcBel Telecom Inc. (Representative: Lu Ching-Hsiung)	50,000	100%
	Director	AcBel Telecom Inc. (Representative: Liu Chung-Pao)	50,000	100%
Astoria Networks GmbH (Note 2)	Manager	Leading Images Limited (Representative: Chuang Tsai-Yen)	25,000	100%
	Manager	Leading Images Limited (Representative: Wang Yu-Yu)	25,000	100%

Note 1: Liquidation procedures were completed on December 7, 2020.

Note 2: Liquidation procedures were completed on October 14, 2020.

Note 3: Resigned on December 1, 2020.

5. Operational Highlights of Affiliated Companies for 2020

Unit: NT\$ thousand

Company Name	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Net loss/profit for the period (after tax)	EPS (in NTD) (After tax)
Arcadyan Technology N.A. Corp.	23,055	1,684,391	1,545,318	139,073	6,891,687	93,640	62,073	62,072.52
Arcadyan Germany Technology GmbH	1,125	371,751	294,877	76,874	921,507	6,988	5,667	11,333.73
Arcadyan Technology Corporation Korea	2,879	266,136	252,278	13,858	1,039,349	7,756	6,446	322.31
Arcadyan do Brasil Ltda.	81,593	25,728	41,592	(15,864)	0	(1,516)	(10,717)	(11.07)
Arcadyan Technology Limited	1,988	3,668	113	3,555	12,341	588	446	8.92
Arcadyan Technology Australia Pty Ltd	1,161	75,927	29,821	46,106	1,468,150	18,819	9,619	192.38
Arcadyan Technology Corporation (Russia), LLC	2,492	18,622	16,480	2,142	9,714	(362)	(243)	-
Arcadyan Holding (BVI) Corp.	2,359,732	2,287,344	0	2,287,344	0	0	95,019	1.36
Sinoprime Global Inc.(BVI)	542,544	453,544	0	453,544	0	0	(10,815)	(0.57)
Arcadyan Technology (Vietnam) Co., Ltd.	541,120	4,849,594	4,400,237	449,357	6,783,766	11,823	(10,815)	-
Arch Holding (BVI) Corp.	300,464	886,668	0	886,668	0	0	62,526	1791.38

Company Name	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Net loss/profit for the period (after tax)	EPS (in NTD) (After tax)
Arcadyan Technology (Shanghai) Corp.	373,088	186,303	21,575	164,728	85,412	6,629	35,282	-
Compal Networking (Kunshan) Co., Ltd.	354,576	8,179,776	7,293,108	886,668	18,969,885	(5,671)	62,526	-
Zhi Bao Technology Inc.	349,800	424,120	123	423,997	0	(110)	9,632	0.28
Tatung Technology Inc.	410,000	2,243,512	1,418,290	825,222	1,515,377	(150,743)	(193,291)	(4.71)
Tatung Technology of Japan Co., Ltd.	9,626	5,961	14	5,947	0	(1,588)	(1,588)	(2,268.06)
Quest International Group Co., Ltd.	34,176	20,686	0	20,686	0	0	(59,064)	(49.22)
Exquisite Electronic Co., Ltd.	33,322	19,908	0	19,908	0	0	(59,068)	(50.48)
Tatung Home Appliances (Wujiang) Co., Ltd.	120,222	117,059	97,636	19,423	1,342,858	(65,133)	(59,068)	-
AcBel Telecom Inc.	87,990	64,363	346	64,017	0	(279)	(16,432)	(1.87)
Leading Images Limited (Note 1)	0	0	0	0	0	280	(14,432)	(286.91)
Astoria Networks GmbH (Note 2)	0	0	0	0	0	(69)	(768)	(31.27)

Note 1: Liquidation procedures were completed on December 7, 2020.

Note 2: Liquidation procedures were completed on October 14, 2020.

(2) Consolidated financial statements of affiliated enterprises

Representation Letter

The entities that are required to be included in the combined financial statements of Arcadyan Technology Corporation as of and for the year ended December 31, 2020 (from January 1 to December 31, 2020) under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Arcadyan Technology Corporation and its subsidiaries do not prepare a separate set of combined financial statements.

Company name: Arcadyan Technology Corporation

Person In-Charge: Chen Jui-Tsung

March 17, 2021

(3) Affiliation reports

1. Controlling Company

December 31, 2020

Name of Controlling Company	Reason(s) of Controlling Interest	Shares Held and Pledged by Controlling Company			Director(s), Supervisor(s) or Manager(s) appointed by Controlling Company	
		Shares Held	Percentage of Shareholding	Shares Pledged	Position	Name
Compal Electronics Inc. (Compal Electronics hereafter) (Note 1)	Parent company of the Company	41,304,504	19.81%	-	Director	Chen Jui-Tsung, Wong Chung-Pin, Peng Sheng-Hua, Liu Chng-Pao

Note 1: The total shareholding of the Company held by Compal Electronics and its subsidiaries amounted to 34.87%, and thus a de facto control.

2. Transaction with Controlling Company

(1) Purchase or sale transactions with Controlling Company

The purchase transactions made by the Company with the Controlling Company amounted to NT\$3,526 thousand, and the purchase prices are similar to those from third-party suppliers. As of December 31, 2020, the outstanding amount totaled NT\$1,823 thousand, and was recognized as account payables.

(2) Property transactions with Controlling Company: None.

(3) Financing transactions with Controlling Company: None.

(4) Leasing transactions with Controlling Company: None.

(5) Other material transaction(s): None

3. Endorsement or guarantee provided by the Company to the Controlling Company: None.

2. Private Placement of Securities in the Most Recent Year up to the Publication Date of this Annual Report: None.

3. Status of the Company Shares Held or Disposed by Subsidiaries in the Most Recent Year up to the Publication Date of this Annual Report: None.

4. Other Necessary Supplementary Information: None.

5. Any Event that had Material impact on Shareholders Right or Stock Prices as Stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Act in the Most Recent Year up to the Publication Date of this Annual Report: None.

Arcadyan Technology Corporation

Chairman: Chen Jui-Tsung

President: Tseng Chao-Peng