Stock Code：2345

2019 Annual Report

Accton Technology Corporation

Taiwan Stock Exchange Market Observation Post System:
http://newmops.twse.com.tw
Company Annual Report is available at:
http://www.accton.com
Printed on May 22, 2020

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This English-version annual report is a summary translation of the Chinese versionand is not an official document approved in a shareholders' meeting in accordancewith Taiwanese laws.
Should any discrepancy arise between the English andChinese versions, the Chinese version shall prevail

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V. Overseas Listed Securities

Please refer to the Company's Issuance of Overseas Depository Receipts on page 78 of this report

VI. Company Website: www.accton.com

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I. Letter to Shareholders

Ladies and Gentlemen,

Thanks to all shareholders for your love and support for Accton in the past year; we would like to show our gratitude. Report is hereby made related to the summary of Accton's business conditions as of 2019 and business plans for 2020.

I. 2019 Business Results

(1) Implementation and Results of the 2019 Business Plan

In 2019, the Company's consolidated revenue was NT$55.401 billion, an increase of about 29% over the previous year, and consolidated net profit after tax was NT$4.950 billion, an increase of 68% over the previous year. In terms of revenue distribution in various product lines, the network switch accounted for 68% of the total revenue, the network application equipment accounted for 16% of revenue, the network access equipment accounted for 7% of revenue, and the wireless network equipment accounted for 4% of revenue.

Looking forward to the future, with the Company mastering the core technology of the new era of network communication and under the product layout of the accelerating computing technology, the overall revenue will continue to grow with the increasing demand for information application and network infrastructure

(2) Budget Execution Status

In 2019, revenue and profit were above the Company's internal objectives.

(3) Analysis of Financial Income and Expenditure and Profitability

The consolidated revenue for the whole year 2019 was NT$55.401 billion, an increase of about 29% over the previous year; the consolidated gross profit margin of the whole year approximated to 20%; the consolidated net profit after tax was NT$4.95 billion, equivalent to the consolidated net profit after tax per share of NT$8.91.

(4) Research and Development Status

The Company will continue to invest in the innovation of cutting-edge technology for hardware and software of network communication, and the key R&D for 2019 are as follows:

1. Invest in the development of Open Network switches and router products, cooperate with internationally renowned software partners and open software to provide cloud computing solutions. We also actively participate in the operation and cooperation of open technology development platforms, including OCP (Open Compute Project), TIP (Telecom Infrastructure Project), ONF (Open Networking Foundation) and other important open technology structural platforms, and participate in the development of various open structural technologies, such as SONiC (Software for Open Network in the Cloud).
2. Leading the industry with the mass production of Hyper Scale Data Center high-density 100G and 400G switches.

3. Leading in the development of high-density 200G/600G fiber optic transmission products that provides connections between data centers, fulfilling the transmission demand between data centers.
4. Development of millimeter wave wireless high-speed transmission technology with the Wi-Fi wireless communication technology, mass production of 2.5Gbps point-to-point and point-to-multipoint transmission products, as well as the tri-band omni base station with a transmission rate of 10Gbps, providing a new generation of high-speed wireless network access solutions.
5. Development in wireless network technology, including 802.11ax Wi-Fi and other newly developed wireless network technology products.
6. R&D of 100G smart network card, establish a virtual server network and provide server network offload function to significantly improve the overall computing efficiency.
7. Mass production of the artificial intelligence (AI) inferencing acceleration card, which provides deep learning clustering calculation function required by the data center to be utilized in AI calculation of massive data.
8. In response to the growth of the Company's business and the actual demand of the overall market expansion, the Company established the Accton Zhunan Plant to expand the production capacity of the production base in Taiwan, improve the quality of manufacturing technology and invest in the upgrade of process automation and capacity optimization. Cloud and AI technology are utilized to connect the production machinery cluster and reach the production quality and manufacturing efficiency of intelligent manufacturing.

II. Summary of Business Plan for the Current Year

(1) Business Policy

1. Focus on IT infrastructure industry; develop highly-integrated and high-value product solutions.
2. Master core technology, strengthen product innovation, expand technical frontiers, and strengthen brand access.
3. Enhance R&D and business innovative energy to establish global and domestic competitiveness.
4. Continue to enhance the operation efficiency of the supply chain, improve production capacity in accordance with the circumstances, enhance overall operational efficiency, and establish operation capacity for the global structure.
5. Establish strategic partnerships, foster the cooperation of the industry and development of systems to provide diversified integration solutions and professional after sales services for customers.
6. Continuous efforts to provide professional OEM/ODM services and brand sales in parallel, and to provide high-quality products in response to market demand.

(2) Production and Sales Policy

1. Strengthen supply chain and improve production capacity, dynamically adjust production capacity in response to customer demand.
2. In response to open platform business opportunities, participate in relevant international social media network communication organizations.
3. Cultivate international large customers and establish a multi-point international production, sales and after-sales service system.
4. Prospective investment in new technologies and development of new high-value customers.

III. Future Development Strategies of the Company

To enhance revenue and profitability, the main development strategies of the Company are as follows:

(1) Corporate and telecom network customers

1. Provide high-efficiency, high-quality products and services; maintain technological leadership.
2. Strengthen cooperation and partnership strategies to jointly develop new markets, continuously improve operation and strive for the best profits.
3. Provide network equipment that fulfills the future mobile broadband and fixed network requirements in conjunction with chip manufacturers, software developers, solution providers and telecommunication network service operators.

(2) Hyper Scale Data Center customers

1. For Hyper Scale Data Center customers demands, advanced network products equipped with backbone transmission in line with open network architecture and software defined network specifications will be launched.
2. Strengthen the software and hardware platform, provide a friendly software development environment, actively participate in the software open source community and provide open source program testing services.

(3) Wireless network technology integration solution

1. Strengthen the management of wireless network platform and access control options to meet the needs of timeliness, security and simplified operation and maintenance of various wireless applications.
2. Utilize different radio frequency technologies such as 802.11ax, 802.11a and 5G NR, the development of wireless network connection products will be completed, and a complete network coverage scheme will be provided.

(4) Network applications and accelerator products

Develop network function virtualization server to meet the application demands of Edge Computing and SD-WAN. Continue to launch high-performance network uninstallation, information security, data storage and artificial intelligence computing accelerator products.

(5) Internet of Things application solutions

Integrate IoT application technology, use broadband, mobile/wireless technology, cloud computing technology to develop solutions for artificial intelligence and automation.

(6) Improve quality, increase productivity, strengthen production flexibility, fast delivery

1. Increase overall production capacity and local prduction allocation in response to market and customer demand.
2. Implement customer-oriented supply chains, optimize product production process, and implement production line intelligence.
3. Implementing quality management system (QMS) feedback management. Improve product planning quality, shorten product development cycle, improve customer satisfaction with high efficiency.
4. Cultivate quality strategic suppliers, formulate standard parts and materials, ensure diversified supply and stable delivery.

IV. Impact of External Competition, Legal Environment and Overall Business Environment

With the global 5G mobile broadband network being built one after another, the demand for network broadband is growing rapidly, cloud applications are increasing continuously. In addition, demand for rapid and secured application services will drive the innovation and business opportunities of network telecommunication equipment. For the future trends in artificial intelligence and the Internet of Things, open architecture and software defined IT will also require a large amount of integrated network equipment, which will drive the next wave of business opportunities. However, the rise of international protectionism and the increasing demand for localization and autonomy of countries will also create new operational challenges and risks. A more flexible global operation strategy shall be adopted to mitigate the risks. Whether the difficulties in supply chain management caused by the recent COVID-19 epidemic has resulted in a delay in supply or decrease in demand, also requires integration and analysis of information in a prudent manner, so as to implement countermeasures at any time. The biggest challenge for the year does not solely come from the changes in technology and industry trend, but also the ability to adapt to the risks of the global systematic uncertainties, and implement countermeasures and make operation adjustments.

We sincerely thank all shareholders for their long-term support and recognition. Our management team and staff will continue to work hard to create higher business value for all shareholders.

We wish all shareholders good health, increasing fortune and wisdom, best of luck and happiness.

Kuo, Fai-Long,
Chairman of the Board

Edgar Masri,
President

II. Company Overview

I. Date of Establishment: February 9, 1988

II. Company History:

1988
- Accton was established in February and based on 2F., No. 28, Gongye E. 4th Rd., Hsinchu Science Park
- Paid-in capital was NT$30 Million upon establishment.
- Released twisted pair hub (EtherHub) and twisted pair network card (EtherPair) as products, becoming one of the leading manufacturers in twisted pair network.

1989
- Made NT$106.5 Million of increase in capital in total, including NT$91.5 Million made in cash, and NT$15 Million made by means of technology shares, with paid-in capital increased to NT$136.5 Million.
- Made another NT$63 Million of increase in capital in cash, with paid-in capital increased to NT$199.5 Million.
- Released 4Mbps RingPair and RingHub as products, entering the field of Token Ring
- Launched LanSoft, a network operating system, as a total solution for offices

1990
- Established the subsidiary of Accton Technology Corporation in USA.
- Made NT$50 Million of increase in capital in cash and a later public issue, with paid-in capital increased to NT$249.5 Million.
- Started to build new factories.

1991
- Released 10BASE T twisted pair Ethernet card and Ethernet hub as series products.
- Released 16Mbps high-speed RingPair and RingHub as products.
- Earned the “Innovative Product Award” from Hsinchu Science Park by RingPocket, the pocket ring network card.
- Earned the “Outstanding Information Application Award” from Executive Yuan by LanSoft, the network operating system

1992
- Completed the construction of new factories and started the production.
- Released the first generation of intelligent stacked Ethernet hub (EtherHub 1000) and network management software (AccView).
- Earned the “Innovative Product Award” from Hsinchu Science Park by EtherHub
- Earned the “Editors’ Choice Award” from “PC Magazine” in USA by RingPocket
- Mr. Tu,Yi-Min was promoted as the President.

1993
- Increased paid-in capital to NT$304.5 Million, including NT$35.68 Million of capital transferred from surplus and NT$19.32 Million of capital transferred from capital reserve.
- Passed certification of British BSI and ISO-9001 of the Commodity Inspection Bureau under the Ministry of Economic Affairs.
- Launched PCMCIA, the card-type Ethernet card, entering the market of notebook.
- Earned the “Innovative Product Award” from Hsinchu Science Park by MPX, the network card.
- Earned the 2nd “Excellent Industrial Technology Development Award”
- Earned the “Outstanding Information Talent Award” of 1993
- Earned the “Research and Development Investment Award” from Hsinchu Science Park

1994 — Released Commpass 1000 intelligent Internet series products, including remote network server (Commpass Remote), multi-port Ethernet bridge (Commpass Bridge) and remote network bridge (Commpass Remote Bridge), entering the market of corporate network.

— Earned the “Outstanding Logo in Taiwan” by EtherHub 1000 and Commpass 1000.

— Earned the “Award for Outstanding Manufacturer for Development of New Product” from China National Federation of Industry by MPX, the network card.

— Earned the outstanding prize of the 3rd “Excellent Industrial Technology Development Award”

— Earned the “Innovative Product Award” from Hsinchu Science Park by EtherHub 1500

— Launched EtherHub 500 series products, the elf-type hub, and received favorable comments.

1995 — Increased paid-in capital to NT$354 Million, including NT$137.14 Million of capital transferred from surplus, NT$34.98 Million of capital transferred from capital reserve, and increase in capital made in cash by issuing 8,200,000 shares with the premium of NT$36 per share, and listed in TWSE on November 15, 1995.

— Launched the second generation of accelerated multi-packet MPX Ethernet card characterized with multiple power, high performance and affinity.

— Earned the “National Gold Award for Product Image” by the multi-segment stacked network hub system.

— Earned the 3rd “National Silver Award for Product Image” by the MPX network system.

1996 — Increased paid-in capital to NT$711.775 Million, including NT$97.29 Million of capital transferred from surplus and NT$55.86 Million of capital transferred from capital reserve. Invested NT$10.8 Million in the construction of East Company to get 30% of its equity.

— Earned the “Outstanding Logo in Taiwan” and "National Silver Award for Product Image” by SwitchHub, the high-speed Ethernet switch.

— Earned the “Outstanding Logo in Taiwan” by EtherHub 8^{st}, the elf-type eight-port Ethernet hub.

1997 — Made an increase in capital in cash on February 14th by issuing 12,000,000 overseas depository receipts, and granting 24,000,000 ordinary shares of Accton, with the total issuance amount of USD 90.120 Million, and listed in Luxembourg Stock Exchange. Increased paid-in capital to NT$951.775 Million.

— Increased paid-in capital to NT$1.32951 Billion, including NT$301.59 Million of capital transferred from surplus and NT$76.14 Million of capital transferred from capital reserve.

— Invested USD 40.23 Million in SMC through overseas holding company to get 80.1％ of its equity.

— Earned the “Outstanding Logo in Taiwan” and the “Innovative Product Award” from Hsinchu Science Park by the superspeed Ethernet hub.

— Released Accton Enterprise Identity System (CIS)“A Tree of Knowledge and Wisdom ” and the spiritual slogan “Making Partnership Work.”

— Established the first childcare center in the Hsinchu Science Park to improve employee benefits.

- Organized charity parties for hospice and called on donation from the enterprises in the Park.

1998
- Issued the first unsecured corporate bonds in February in the amount of NT$1 Billion.
- Earned the "Outstanding Manufacturer Award" from Executive Yuan in May.
- Increased paid-in capital to NT$2.01607 Billion, including NT$296.96 Million of capital transferred from surplus, NT$139.6 Million of capital transferred from capital reserve, and the increase made in cash by issuing 25,000,000 shares with the premium of NT$51 per share.
- Earned the 1st "Outstanding Enterprise and Product Gold Award" from the government of R.O.C.
- Earned the "Research and Development Investment Award of 1998" from Hsinchu Science Park.
- Earned the "Innovative Product Award" from Hsinchu Science Park by the stacked smart dual speed Ethernet hub.
- Earned the "Outstanding Logo in Taiwan" by stacked smart dual speed Ethernet hub, superspeed Ethernet stackable switch system, and universal serial bus Ethernet converter.

1999
- Increased paid-in capital to NT$2.34682 Billion, including NT$179.55 Million of capital transferred from surplus and NT$151.21 Million of capital transferred from capital reserve.
- Passed certification of ISO 14000 Environmental Management System of BSI.
- Earned the "Outstanding Information Application and Product Award" from Executive Yuan by the superspeed smart Ethernet stackable switch system.
- The email users of "Accton Life Platform" exceeded 800,000 in August.
- Earned the "Innovative Product Award" from Hsinchu Science Park by the multi-layers slot routing switch system.
- Actively devoted to 921 post-disaster reconstruction and adopted students from disaster areas.
- Issued the first domestic unsecured convertible corporate bonds in December, in the amount of NT$1.2 Billion.

2000
- Earned the "Award for Fine Products in Taiwan" in January by EH3008Q8 10/100 hub, ES4508 superspeed Ethernet switch and ES3552 48 port stackable switch.
- Increased paid-in capital to NT$2.97591 Billion, including NT$402.92 Million of capital transferred from surplus, 129.08 Million of capital transferred from capital reserve, and NT$97.09 Million of equity certificates transferred from bonds.
- Completed the construction of east building of subsidiary.
- Held the first "Network Hacking Forum" in Taiwan in July to cultivate domestic network elites.
- Founded Accton Cultural & Educational Foundation.

2001
- Announced the merger with Hexiang Communication in February, obtained technologies of WLAN development and mass production , and completed the layout specified in the overall communication network equipment.
- Increased paid-in capital to NT$3.71044 Billion, including NT$625.32 Million of capital transferred from surplus and NT$75.25 Million of capital transferred from capital reserve.

- Established www.e-charity.com.tw and devoted to post-disaster reconstruction and care for underprivileged groups in Taiwan.
- Issued the first convertible corporate bonds in July in the amount of USD 70 Million.
- Completed the merger with Hexiang Communication in December, entering the market of WLAN.

2002
- Announced the establishment of the joint venture " Shanghai Guangzhi Technology Co., Ltd." with SGEG In January.
- Held special agricultural products exhibitions in reconstructed area in March to help restoring the area.
- On April 8th, a Director requested to resign since Suwe Co., Ltd. was entrusted to International Commercial Bank of China and the businesses had become too busy.
- Increased paid-in capital to NT$5.68136 Billion in August, including NT$1.00058 Billion of capital transferred from surplus and NT$18.85 Million of capital transferred from employee bonus.
- On December 3rd, announced the adjustment of the financial forecast for 2002: the goals for revenue and net profit before tax were NT$16.63 Billion and NT$1.21 Billion respectively.

2003
- In January, announced the Letter of Inten with Philips for a joint venture to seize the market of wireless business.
- The Board of Directors decided on February 13th to separate Wireless Network Business Division and establish the joint venture, Arcadyan Technology Corporation, with Philips.
- Increased paid-in capital to NT$5.97932 Billion in June, including NT$324.76 Million of capital transferred from surplus and NT$216.50 Million of capital transferred from capital reserve.
- In September, held a competition to design the office building in Duxing, aiming to build a green factory in the future.
- Launched the first corporate dual-band wireless network base station in the industry to attract wireless network enterprise users.
- Began to deliver Power over Ethernet (POE) switches.

2004
- Shangyuan Technology, the subsidiary of Accton, was acquired by Infineon to enhance its communication business.
- Established a new product development team in UK to expand the scale and strength of research and development.
- Launched the first corporate stackable switch with domestic-developed LEO chips as solutions
- In June, announced to develop corporate and metro switches with IP Infusion, one of the leading smart network software suppliers for enhanced IP services, .
- In August, cooperated with SonicWall to sell its full range of security solution products in Taiwan through the subsidiary Chuan Yi Mdt InfoTech
- In October, cooperated with Propagate Networks to develop self-optimizing wireless network base station which will integrate AutoCellR firmware function into Accton software and platform.

2005
- Earned the "Outstanding Logo in Taiwan" in January by ES5508, WA6202/6202M and ES4005PW.

- Earned the "Corporate Social Responsibility Award for Enterprise in Taiwan" of 2005 in May.
- In June, established a strategic alliance with Compal for product and business development.
- Earned the Bronze Medal Prize of "National Invention and Creation Award" in September.
- In October, earned the G-Mark Award of 2005, the highest honor in Japanese design industry, by Accton magic video phone (V2 Fone).
- In November, cooperated with Skype to develop a full range of Skype communications products.
- In November, allied and cooperated with Huawei Technology in China as the agent of its full range of products for enterprise users, bringing new choices in respect of communication network for the enterprises in Taiwan.

2006

- In January, purchased all the shares of the subsidiary Arcadyan from Philips, and accelerated its listings plan.
- In February, released the first 802.11g SDIO product in the world along with PDC.
- Earned the "IF Industrial Design Award" of 2006 in March by VoWiFi mobile phone VM1188T.
- In May, cooperated with ITOCHU Corporation in Japan to enter the brand market of Japanese corporate network equipment.
- In June, Mr. Tu,Yi-Min continued to serve as the Chairman of the Board; Mr. Lu, Kuen-Ruey took over the position of President.
- In August, launched telecommunication-grade Ethernet switching equipment and got the opportunity to cooperate with Japanese 3G mobile phone operators along with business partners.
- In August, transferred partial equity of the subsidiary Arcadyan to Compal to strengthen the partnership.
- In October, the first Skype phone was approved by its headquarter in UK and the mass production and delivery had begun hence after.

2007

- In January, established a joint venture with Alvarion, the leading supplier of WiMAX in Israel, to develop products of WiMAX mobile network equipment together.
- In March, participated in the 3rd WiMAX PlugFest with WiMAX CPE as the only participant from Taiwan.
- In March, produced a new generation of Wi-Fi mobile phones for Earthlink.
- In May, Accton Technology Corporation entered a new world as the pioneer acquiring "Approval for Taipei Summit Interoperability in Taiwan" to interoperate with multiple WiMAX base stations of global brands.
- In June, Accton Technology Corporation exhibited telecom-grade metro Ethernet switching equipment at 2007 NXTComm Telecom Show.
- In August, Accton Technology Corporation sponsored Wikimedia Conference in Taipei, Wikimania, by providing wireless base station for network switch equipment and Skype Wi-Fi phones.
- In September, Accton successfully acquired the 802.16e mobile WiMAX bid with a value more than NT$10 million from Industrial Technology Research Institute (ITRI) by integrating the resources of its subsidiary Accton Wireless Boradband Corp. and Edge-Core.

- In October, Accton Group provided complete WiMAX and Wi-Fi integration solutions by combining the technology platform of its subsidiary Accton Wireless Boradband Corp. and service platforms of Edge-Core and SMC.
- In November, Hongzhan Financial Consultant Co., Ltd. announced its Tender offer to acquire 10% equity of Accton Technology Corporation in public at the price of NT$20 per share.
- In December, Accton Wireless Boradband Corp. earned the “Outstanding Information Application and Product Award" of 2007 Information Month by All in One WiMAX Gateways.

2008
- In January, the subsidiary Accton Wireless Boradband Corp. earned the action-in-Taiwan mark, “M-Taiwan” by its full range of WiMAX Wave 2 terminal equipment, and the product was adopted by Tatung InfoComm.
- In February, signed a technical cooperation memorandum with Alcatel-Lucent.
- In April, Accton Technology Corporation launched a highly integrated low-cost network radio module, enabling users to listen to the whole world.
- In June, Accton Wireless Boradband Corp. officially launched its full range of WImax Wave 2 terminal products, including mobile WiMAX network cards as well as indoor and outdoor fixed WiMAX gateways.
- In September, Tu,Yi-Min, the Chairman of the Board, resigned and was elected as Honorary Chairman, and Huang, An-Chieh took over the position of the Chairman of the Board.

2009
- In February, Baikuan Investment acquired 51,803,000 Accton shares auctioned by Hongzhan Financial Consultant Co., Ltd. at the price of NT$11.85 per share.
- In April, the subsidiary SMC launched two new series 11n wireless routers, Life N and Power N.
- In May, cash dividend was decided to be distributed at NT$0.661 per share during the shareholders’ meeting. The Eighth Directors and Supervisors were re-elected, and Mr. Huang, An-Chieh still served as the Chairman of the Board.
- In October, LSI and Accton Technology Corporation jointly released a new platform plan.
- In November, earned the “Creative Service Award” by the outstanding performance of adopting green lands in the Park and caring for the public.
- In December, earned the “Excellence Award” by promoting international communication and cooperation.

2010
- In January, Accton and Viettel established a joint venture to combine the brands and technologies to develop new markets,
- In January, Accton and LG-Nortel established a new joint venture in North America to satisfy market demands by integrating technologies, providing corporate Netcom solutions that can integrate advanced voice and data technologies.
- In April, announced the merger with its subsidiary Zhihao Technology Company at NT$11.54 per share.
- In June, cash dividend was decided to be distributed at NT$1.09599 per share during the Shareholders’ Meeting.

2011 — Accton integrated the Group's resources to participate in 2010 Computex to provide innovative broadband application solutions, moving forward to the Quadruple Play Era.
— Accton Technology Corporation announced the financial data of 2010: annual net profit after tax was NT$1.005 Billion, and EPS reached NT$2.02.
— In June, NT$1.42494 of cash dividend and NT$0.36 of stock dividend were decided to be distributed during the Shareholders' Meeting.
— In July, earned the "Best Corporate Social Responsibility Award in Asia" from CMO Asia.
— In October, the Board of Directors approved to establish the Remuneration Committee.
— In December, Accton Technology Corporation earned the Bronze Medal Prize of "TTQS Training Quality Assessment."
— In December, Edgecore Networks Corp., Accton's subsidiary, passed certification of IPv6 by its CPE products.

2012 — Accton Technology Corporation announced the financial data of 2011: annual net profit after tax was NT$862 Million, and EPS reached NT$1.66.
— In March, earned the "Outstanding Innovation Award in Asia" of 2012, an affirmation of Accton's achievements of technology and product development.
— In June, cash dividend was decided to be distributed at NT$1.478 per share during the Shareholders' Meeting.

2013 — Accton Technology Corporation announced the financial data of 2012: annual net profit after tax was NT$873 Million, and EPS reached NT$1.68.
— In June, cash dividend was decided to be distributed at NT$1.4996 per share during the Shareholders' Meeting.
— In July, the Board of Directors approved that Mr. Yu, Ji-Hsiang took over the position of President, and Mr. Chang Shih-Ming took over the position of the Vice Chairman of the Board .
— In October, to promote art and literature aesthetics, advocate social ethics and artistics, and improve artistic atmosphere in the enterprise, Accton Technology Corporation invited Perfect Match to perform the music drama, The Edge of Heaven, to refresh every participant by a wonderful journey of arts. The promotion of domestic arts and cultural activities also fulfilled the corporate social responsibility.
— In December, disposed of buildings of the Second Factory to Realtek.

2014 — Accton Technology Corporation announced the financial data of 2013: annual net profit after tax was NT$559 Million, and EPS reached NT$1.06.
— In March, passed the scheme for making NT$ 160 Million of increase in the capital of Metalligence Technology Corp., in order to continuously support the development of the system and cloud platform of intelligent life integration solutions.
— In April, the Board of Directors approved the resignation of Mr. Huang, An-Jye, the Chairman of the Board, and Mr. Chang, Shih-Ming, the Vice Chairman of the Board, which took effect on June 12, 2014.
— In April, the Board of Directors approved the scheme of investment in Nocsys (Cayman) to develop cloud-based technologies.
— In June, cash dividend was decided to be distributed at NT$0.912671 per share during the Shareholders' Meeting.

- In June, the Board of Directors approved that Mr. Lee, Yen-Sung took over the position of the Chairman of the Board.

2015
- Accton Technology Corporation announced the financial data of 2014: annual net profit after tax was NT$644 Million, and EPS reached NT$1.21.
- In February, the Board of Directors approved that Mr. Yu, Ji-Hsiang, the President, was in charge of Research and Development Center.
- In March, Accton Group cooperated with Chunghwa Telecom to develop cloud smart home services jointly.
- In March, the Board of Directors approved that Mr. Lin, Hsin-Hsuan, took over the position of Spokesman, and Mr. Chen,Wen-Shan took over the position of Deputy Spokesman.
- In June, cash dividend was decided to be distributed at NT$1.07515 per share during the Shareholders' Meeting.
- In June, the Board of Directors approved that Ms. Lin,Yu-Chuan took over the position of Chief Operating Officer, and Mr. Kuo, Fai-Long was removed from the position.

2016
- Accton Technology Corporation announced the financial data of 2015: annual net profit after tax was NT$1.166 Billion, and EPS reached NT$2.19.
- In June, cash dividend was decided to be distributed at NT$1.963 per share during the Shareholders' Meeting.

2017
- Accton Technology Corporation announced the financial data of 2016: annual net profit after tax was NT$1.888 Billion, and EPS reached NT$3.51.
- In March, the Board of Directors approved that Mr. Lee, Chih-Chiang took over the position of President, and Mr. Yu, Ji-Hsiang took over the position of Vice President of Research and Development.
- In June, cash dividend was decided to be distributed at NT$3.0978 per share during the Shareholders' Meeting.
- In August, the Board of Directors approved that Ms. Lin,Yu-Chuan, the Chief Operating Officer, took over the position of Director of Strategy and resigned in October.

2018
- Accton Technology Corporation announced the financial data of 2017: annual net profit after tax was NT$2.559 Billion, and EPS reached NT$4.68.
- In June, cash dividend was decided to be distributed at NT$4.1311 per share during the Shareholders' Meeting.
- In June, the Board of Directors approved that Mr. Kuo, Fai-Long took over the position of the Chairman of the Board.

2019
- Accton Technology Corporation announced the financial data of 2018: annual net profit after tax was NT$2.952 Billion, and EPS reached NT$5.33.
- In June, the distribution of cash dividend of NT$3.9984 per share was resolved at the Shareholders' Meeting.
- In June, the appointment of Mr. Michael Lane as the Vice President of Research and Development was resolved at the Board Meeting of Accton.
- In July, Mr. Chiu, Kuo-Tai resigned as the Senior Vice President.
- In July, the appointment of Mr. Wang, Ching-Te as the Vice President was resolved at the Board Meeting of Accton.
- In October, Accton was awarded the 5th Taiwan Mittelstand Award.
- In November, at the Board Meeting of Accton, Mr. Edgar Masri was resolved to be appointed as the Chief Executive Officer of Accton Group.

2020
- Accton Technology Corporation published its financial data in 2019, the annual net profit after tax was NT$4.950 billion and EPS reached NT$8.91.

- In February, the appointment of Mr. Li, Kuan-Tse as the Senior Vice President of Research and Development was resolved at the Board Meeting of Accton.
- In February, the appointment of Mr. Michael Lane as the Vice President of New Technology Research and Development was resolved at the Board Meeting of Accton.
- In April, Lee, Chih-Chiang resigned as the President.
- In April, the appointment of Edgar Masri, the Chief Executive Officer, as the President of Accton was resolved at the Board Meeting of Accton.

III. Management Report

I. Organizational Structure

(1) Organizational Structure Chart

(2) Responsibilities and Functions of Major Departments

Departments	Function
Board of Directors	Business plan, profit distribution; review and approval of important regulations, contracts, budget and final accounts; appointment and removal of President and Vice Presidents, establishment and cancellation of branches; review and approval of trading and investment of immovable property; other critical decisions.
President	Overall decisions on company’s operation, management and quality.
Audit Center	Implementation of audit, inspection and evaluation on the correctness and reliability of company’s operation records and internal control, and provision of suggestions for improvement.
Finance and ADM Center	Formulation of financial and HR administration system and company’s organizational structure; definitions of powers and responsibilities of organizational structure and business scope; control of financial status and plans; formulation of capital operation plans, supervision, management and setting of information network structure; planning and establishment of information systems; integration, maintenance and management of information; provision of legal and consulting services.
RD Center	Planning for development of new types of network communication equipment and products, coordinating resources and technology-sharing among departments, providing necessary technical support for business and support units, setting direction for new technology research and development and planning for resource allocation.
Sales Center	Setting sales targets and plans, developing new markets and customers, formulating sales strategies; managing, supervising and providing assistance in achievement of sales amount, and improving customer satisfaction with services.
Manufacture Center	Production planning, trial production in production line, development and production plans for new products, working time calculation, capacity planning, as well as improvement of efficiency and productivity.
Supply Chain Center	Be responsible for Accton’s procurement strategies and planning, supervision on operation process, inventory management, as well as planning and supervision on warehousing and import and export bonded operation.
Quality Management Center	Promoting, implementing and reviewing company’s quality policies, managing and assessing suppliers and outsourcers, and dealing with customers’ complaint about quality.

II. Information about Directors, Supervisors, President, Vice Presidents, Assistant Managers and Supervisors of various departments and branches:

(1) Directors

April 20, 2020

Job Title	Nationality or Registration Place	Name	Gender	Election (Assumption) Date	Tenure	Initial Election Date	Number of Shares Held at the Time of Election		Current Number of Shares Held		Shares Held By Spouse and Minor Children		Shares Held in Other's Name		Main Experience (Education Background)	Current Posts in Accton and Other Companies	Spouse or Second-degree Family Members Serving as Other Supervisors or Directors		
							Number of Shares	Share-Holding Ratio	Number of Shares	Share-Holding Ratio	Number of Shares	Share-Holding Ratio	Number of Shares	Share-Holding Ratio			Job Title	Name	Relation
Director	R.O.C.	Kuan Xin Investment Corp.	-	2018.06.13	Three years	2014.06.13	7,070,000	1.27	7,070,000	1.27	0	0.00	–	–	–	–	–	–	–
Corporate Representative of Director/ Chairman of the Board	R.O.C.	Kuo, Fai-Long	Male	2018.06.13	Three years	2012.06.19	0	0.00	2,353,387	0.42	0	0.00	–	–	MBA, US Saginaw	Director of Joy Technology(Shenzhen) Corporation, Metalligence Technology Corp., E-Direct Corp. Accton Technology Corporation	–	–	–
Director	R.O.C.	Kuan Xin Investment Corp.	-	2018.06.13	Three years	2014.06.13	7,070,000	1.27	7,070,000	1.27	0	0.00	–	–	–	–	–	–	–
Corporate Representative of Director	R.O.C.	Lin, Meen-Ron	Female	2018.06.13	Three years	2012.06.19	0	0.00	669	0.00	0	0.00	–	–	Master of Business, University of Southern California Manager of E-capital Securities	Chairman of the Board of Metalligence Technology Corp. Edgecore Networks ATAN NetworKs; Director of Accton Technology Corporation, E-Direct Corp. and 4IPNET, Inc.	–	–	–
Director	R.O.C.	Huang, Kuo-Hsiu	Male	2018.06.13	Three years	2014.06.13	468,379	0.08	493,379	0.09	327,384	0.06	–	–	MBA, Peking University Assistant Manager of Accton Technology Corporation	Chairman of the Board of Accton Technology Co., Ltd. E-Direct Corp. Director of Accton Technology Corporation	–	–	–
Director	R.O.C.	Ting Sing Co., Ltd.	-	2018.06.13	Three years	2009.05.22	2,351,562	0.42	2,351,562	0.42	0	0.00	–	–	–	–	–	–	–
Corporate Representative of Director	R.O.C.	Du, Heng-Yi	Male	2018.06.13	Three years	2009.05.22	0	0.00	1,119,115	0.20	249,079	0.04	–	–	MBA, University of Hawaii Chairman of the Board of Wanyuan Textile Co., Ltd. Supervisor of Accton Technology Corporation	Chairman of the Board of Chien Shun Trading Co., Ltd., Wan Yuan Textiles Co., Ltd., Chong Tai Transportation Co., Ltd., Ting Fang Investment Co., Ltd., Valley View Industrial Co., Ltd., Ting Chien Co., Ltd., and Ting Sing Co., Ltd.; Supervisor of The World Champion Co., Ltd., Tai Ve Corporation Summit Packing Industrial Co., Ltd.; Director of Ve Wong Co., Ltd., South China Insurance Co., Ltd., Taiwan Secom Co., Ltd., The Ambassador Hotel Co., Ltd., Fujitec Taiwan Co., Ltd.,	–	–	–

																Toray International Taipei Inc.Co., Ltd. and Accton Technology Corporation.			
Independent Director	R.O.C.	Liu,Chung Laung	Male	2018.06.13	Three years	2018.06.13	0	0.00	0	0.00	0	0.00	–	–	Doctor of Electrical Machinery, US Massachusetts Institute of Technology General manager of National Tsing Hua University	Chairman of the Board of TrendForce Corp.; Director of Macronix International Co., Ltd., UBI-Phatma Inc., and United Microelectronics Corp.; Independent Director of FarEasTone Telecommunications, Powerchip Technology and Microelectronics Technology Inc.; Supervisor of Andes Technology; William Mong Honorary Chair Professor,NTHU.	–	–	–
Independent Director	R.O.C.	Chang, Chih-Ping	Male	2018.06.13	Three years	2015.06.10	0	0.00	0	0.00	0	0.00	–	–	Bachelor of Western Languages and Literature, Tamkang University Director of the Political and Economic Office of Taipei Investigation Division of Investigation Bureau Director of Hsinchu Investigation Division of Investigation Bureau Director of Money Laundering Prevention Division of Investigation Bureau	CTBC Anti-Drug Educational Foundation Chief Executive; Independent Director of Accton Technology Corporation	–	–	–
Independent Director	R.O.C.	Chen, Shuh	Male	2018.06.13	Three years	2018.06.13	0	0.00	0	0.00	0	0.00	–	–	Doctor of Commerce, National Taiwan University Former Chairperson of the Financial Supervision and Management Committee Former Chairman of the Board of the Securities Trading Center of Republic of China Former Chairman of the Board of Taiwan Stock Exchange Corporation Former Administrative Deputy Minister of the Ministry of Finance	Chairman of the Board of the Central Investment Corp.; Independent Director of Asia Cement, and PLANET Technology Corp.	–	–	–

Independent Director	R.O.C.	Lin, Shiou-Ling	Female	2018.06.13	Three years	2009.05.22	0	0.00	0	0.00	0	0.00	–	–	Department of Law, National Taiwan University Director of Cathay Financial Holdings Executive Director of Tong Lung Metal Industry Co., Ltd. Supervisor of Accton Technology Corporation. Counsel of Lee and Li Attorneys-at-Law;	Chairman of the Board of KHL IV Venture Capital Co., Ltd., and BAKU Investment Co., Ltd.; Independent Director of Cathay Real Estate Co., Ltd. And Accton Technology Corp.; Director of KHL Venture Capital Co., Ltd., KHL IB Venture Capital Co., Ltd., KHL IAI Investment Co., Ltd., KHL II Venture Capital Co., Ltd., KHL V Venture Capital Co., Ltd., KHL Financial Advisory Co., Ltd., Jian Yong Co., Ltd., Guang Li Mei Co., Ltd., An Ding Co., Ltd., Hong Ce Investment Co., Ltd., Zhen Han Capital Co., Ltd., Hong Shun Investment Co., Ltd.	–	–	–
Independent Director	R.O.C.	Chen, Wei-Zen	Male	2018.06.13	Three years	2018.06.13	0	0.00	0	0.00	0	0.00	–	–	Doctor, Institute of Industrial Planning, Chinese Culture University Former Minister of the Ministry of the Interior Former Secretary General of Executive Yuan Former Deputy Mayor of Taipei City Government The Supreme Consultant of Formosa Plastics Group	Independent Director of Accton Technology Corp.	–	–	–

Note 1: Ms. Lin, Meen-Ron, the Corporate Representative of Director, has 555,000 shares under trust with discretion reserved.

Major Shareholders of the Corporate Shareholders

April 20, 2020

Corporate Shareholder's Name	Major Shareholders of the Corporate Shareholders	Shareholding Ratio
Ting Sing Co., Ltd.	Karbo Holdings Ltd.	47.44%
	Cheerway Holdings Ltd.	47.44%
	Du, Heng-Yi	1.54%
	Hsueh,Hsiu-Chen	0.51%
	Ting Chien Co., Ltd.	3.08%
Kuan Xin Investment Corp.	Ou Yang,Chih-Min	97.00%
	Huang, Kuo-Hsiu	1.00%
	Lin, Meen-Ron	1.00%
	Li, Wei-Shuo	1.00%

Major Institutional Shareholders of National Development Funds

April 20, 2020

Legal Person's Name	Major Shareholder of Legal Person	Shareholding Ratio
Karbo Holdings Ltd.	Energy Rider Trading Corp.	100.00%
Cheerway Holdings Ltd.	Energy Rider Trading Corp.	100.00%
Ting Chien Co., Ltd.	Karbo Holdings Ltd. Cheerway Holdings Ltd. Du, Heng-Yi Hsueh, Hsiu-Chen Tu Wan Chuan Charity Foundation Ting Sing Co., Ltd.	45.00% 45.00% 7.00% 1.67% 0.33% 1.00%

(2) Information about President, Vice Presidents, Assistant Managers and Supervisors of various departments and branches:

April 20,2020

Job Title	Nationality	Name	Gender	Election (Assumption) Date	Number of Shares Held		Shares Held By Spouse and Minor Children		Holding Shares in Other's Name		Education and Work Experience	Positions Currently Held in Other Companies	If spouse or second-degree family members also serve as manager			Remarks
					Number of Shares	Share-Holding Ratio	Number of Shares	Share-Holding Ratio	Number of Shares	Share-Holding Ratio			Job Title	Name	Relationship	
CEO, General Manager (Note 1)	U.S.A.	Edgar Masri	Male	2019.11.12	0	0.00	0	0.00	—	—	Master of Electronic Engineering, the University of California, Berkeley, USA and MBA, Stanford University, USA CEO of 3Com, normal partner of Matrix Partners, President and CEO of Qualtré Inc.	Director of Spiront Communications, Director of Kollective	—	—	—	—
President (Note 2)	R.O.C.	Lee, Chih-Chiang	Male	2011.07.08	592,080	0.11	0	0.00	—	—	Master, National Tsing Hua University	Director of Edgecore Networks Corp.	—	—	—	
Senior Vice President	R.O.C.	Yu, Ji-Hsiang	Male	2013.07.01	53,794	0.01	1,791	0.00	—	—	EMBA, College of Management, National Chiao Tung University	Director of Accton Technology Co., Ltd.	—	—	—	
Senior Vice President (Note 3)	R.O.C.	Chiu, Kuo-Tai	Male	2000.03.01	385,360	0.07	0	0.00	—	—	Bachelor of Computer Engineering, National Chiao Tung University	Chairman of the Board of Joy Technology (Shenzhen) Corporation; Director of Accton Technology Co., Ltd.	—	—	—	
CFO (Note 4)	R.O.C.	Lin, Meen-Ron	Female	2007.08.28	669	0.00	0	0.00	—	—	Master of Business, University of Southern California	Chairman of the Board of Metalligence Technology Corp. , Edgecore Networks Corp., and ATAN NetworKs Co., Ltd.; Director of Accton Technology Corporation, E-Direct Corp. and 4IPNET, Inc.	—	—	—	

Vice President	M.Y.	Liew, Hin-Soon	Male	2011.07.08	280,331	0.05	0	0.00	280,331	0.05	Electronic Engineering, National Taiwan University	Chairman of the Board of 4IPNET, INC.	—	—	—	
Vice President (Note 5)	R.O.C.	Wang, Ching-Te	Male	2019.07.02	0	0.00	0	0.00	—	—	Bachelor of Mechanical Engineering, the University of California, Berkeley, USA	—	—	—	—	—
Senior Vice President of Research and Development (Note 6)	R.O.C.	Li, Kuan-Tse	Male	2020.02.24	0	0.00	0	0.00	—	—	Master of Electrical Engineering, University of California, Irvine, USA Senior Director of Hardware Engineering of CommScope, Ruckus / Arris, Director of Hardware Engineering of Brocade	—	—	—	—	—
New technology R&D Vice President (Note 7)	U.S.A.	Michael Lane	Male	2019.06.13	0	0.00	0	0.00	—	—	Bachelor of Information Science, University of Virginia Vice President of Business Development, EdgeCore Chief Information Officer, Microsoft Australia Computer Science, University of Virginia、VP Business Development EdgeCore、CIO Microsoft Australia	—	—	—	—	—

Note 1: Mr. Edgar Masri served as the CEO on November 12, 2019 and concurrently served as the General Manager on April 10, 2020.

Note 2: Mr. Lee, Chih-Chiang resigned as the General Manager on April 10, 2020.

Note 3: Mr. Chiu, Kuo-Tai resigned as the Senior Vice President on July 1, 2019.

Note 4: Ms. Lin, Meen-Ron, the corporate representative of Director and CFO, has 555,000 shares under trust with discretion reserved.

Note 5: Mr. Wang, Ching-Te served as the Vice President on July 2, 2019.

Note 6: Mr. Li, Kuan-Tse served as the Senior Vice President of R&D on February 24, 2020.

Note 7: Mr. Michael Lane served as the Vice President of New Technology R&D on June 13, 2019.

Professional Qualifications and Independence of Directors

Condition / Name	Has more than 5 years of work experience and the following professional qualifications			Independence (Note 2)										Number of other public offering companies for which he/she holds concurrent office as Independent Director
	Instructor of related departments of the public and private colleges required for commerce, legal affairs, finance, accounting or corporate businesses or above	Judge, prosecutor, lawyer, accountant or other specialized, professional and technical personnel passed national examinations and holding certificates necessary for Accton's businesses.	Working experience required for commerce, legal affairs, finance, accounting or corporate businesses	1	2	3	4	5	6	7	8	9	10	
Representative of Kuan Xin Investment Corp.: Kuo, Fai-Long			✓			✓	✓	✓	✓	✓	✓	✓		0
Representative of Kuan Xin Investment Corp.: Lin, Meen-Ron			✓			✓	✓	✓	✓	✓	✓	✓		0
Huang, Kuo-Hsiu			✓			✓	✓	✓	✓	✓	✓	✓	✓	0
Representative of Ting Sing Co., Ltd.:Du, Heng-Yi			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Liu, Chung Laung	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Chang, Chih-Ping		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chen, Shuh		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Lin, Shiou-Ling		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Chen, Wei-Zen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note 1: For any Director or Supervisor who meets the relevant condition(s) for two years before being elected to the office or during the term of office, please insert " ✓ " in the blank space corresponding to each condition.✓

(1) Not employed by Accton or its related companies.

(2) Not a Director and Supervisor of related companies, except for Accton's parent companies, and the Independent Directors of subsidiaries who directly and indirectly hold over 50% of the shares with voting rights.

(3) Not a natural-person shareholder who holds more than 1% of issued shares, including the shares held in the name of the person's spouse, minor children, or in the name of others, or is ranked top 10 in terms of the total quantity of shares held.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of the personnel listed in the three preceding items.

(5) Not a Director, Supervisor, or employee of an institutional shareholder that directly holds more than 5% of the total number of issued shares of Accton or is ranked top 5 in terms of the total quantity of shares held.

(6) Not a Director (member of the governing board), Supervisor (member of the supervising board), managerial officer, or shareholder holding more than 5% of shares of a specified company or institution that has a financial or business relationship with Accton.

(7) Not a professional individual or owner, partner, Director (member of the governing board), Supervisor (member of the supervising board), managerial officer, or spouse thereof, of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting, or consultation services to Accton or its related companies. except for the members of the Remuneration Committee which exercise powers in accordance with Article 7 of the Measures for Setting of and Exercising Powers by the Remuneration Committee of the Company Trading in the Place Where Stocks are Listed or Security Operator Makes Business.

(8) Not a spouse or a relative within the second degree of kinship with any director.

(9) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

(10) Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.

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

(1) Remuneration of Directors and Independent Directors (summary and type of disclosure of name)

Unit: NT$ Thousand; Number of Shares: Thousand shares

Job Title		Nationality	Remuneration of Directors								Ratio of Total Remuneration of A, B, C and D in Net Income After Tax		Remuneration Paid to Concurrent Employees								Ratio of Total Remuneration of A, B, C, D, E, F and G to Net Income After Tax		Remuneration Paid by Invested Company Other than Accton's Subsidiaries
			Remuneration (A)		Severance Pay (B)		Remuneration of Directors (C)		Allowances (D)				Salary, Bonus and Allowances (E)		Severance Pay (F)		Employee Bonus (G)						
			Accton	All Companies Listed in Financial Statements	Accton	All Companies Listed in Financial Statements	Accton	All Companies Listed in Financial Statements	Accton	All Companies Listed in Financial Statements	Accton	All Companies Listed in Financial Statements	Accton	All Companies Listed in Financial Statements	Accton	All Companies Listed in Financial Statements	Accton		All Companies Listed in Financial Statements		Accton	All Companies Listed in Financial Statements	
																	Cash Amount	Stock Amount	Cash Amount	Stock Amount			
Director	Chairman of the Board	Kuan Xin Investment Corp. Representative：Kuo, Fai-Long																					
Director	Director	Kuan Xin Investment Corp. Representative：Lin, Meen-Ron																					
Director	Director	Huang, Kuo-Hsiu																					
Director	Director	Ting Sing Co., Ltd. Representative：Du, Heng-Yi	—	—	—	—	45,000	45,000	893	893	0.93%	0.93%	14,794	14,794	324	324	11,000	—	11,000	—	1.45%	1.45%	None
Independent Director	Independent Director	Liu, Chung-Laung																					
Independent Director	Independent Director	Chang, Chih-Ping																					
Independent Director	Independent Director	Chen, Shuh																					
Independent Director	Independent Director	Lin, Shiou-Ling																					
Independent Director	Independent Director	Chen, Wei-Zen																					

1. Please state the remuneration policy, system, standards and structure of Independent Directors' remuneration, and describe the relationship between the amount of remuneration and their responsibilities, risks, time invested, and other factors:
   The remuneration of Independent Directors of Accton is formulated based on Article 15 of the Accton's Articles of Association, their participation and contribution value to Accton's operations, taking into account Accton's operating performance and the industry standards, which is then submitted to the Board of Directors for resolution.
2. Other than those disclosed in the table above, remunerations received by Directors by providing services (e.g. providing consulting services as a non-employee) to all companies in the financial report during the most recent year: None.

(2) Remuneration of President and Vice Presidents

Unit: NT$ Thousand; Number of Shares: Thousand Shares

Job Title	Name	Pay (A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Bonus (D)				Ratio (%) of the Total Remuneration A, B, C and D in Net Income After Tax		Remuneration Paid by Invested Company Other than Accton's Subsidiaries
		Accton	All Companies Listed in Financial Statements	Accton	All Companies Listed in Financial Statements	Accton	All Companies Listed in Financial Statements	Accton		All Companies Listed in Financial Statements		Accton	All Companies Listed in Financial Statements	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
CEO、General Manager (Note 1)	Edgar Masri	15,918	22,655	458	458	7,671	7,671	12,200	—	12,200	—	0.73%	0.87%	None
President (Note 2)	Lee,Chih-Chiang													
Senior Vice President of Research and Development	Yu, Ji-Hsiang													
Executive Vice President (Note 3)	Chiu, Kuo-Tai													
CFO (Note 4)	Lin, Meen-Ron													
Senior Vice President	Liew, Hin-Soon													
Senior Vice President (Note 5)	Wang, Ching-Te													
Senior Vice President of Research and Development (Note 6)	Li, Kuan-Tse													
New technology R&D Vice President (Note 7)	Michael Lane													

Note 1: Mr. Edgar Masri served as the CEO on November 12, 2019 and concurrently served as the General Manager on April 10, 2020.
Note 2: Mr. Lee, Chih-Chiang resigned as the General Manager on April 10, 2020.
Note 3: Mr. Chiu, Kuo-Tai resigned as the Senior Vice President on July 1, 2019.
Note 4: Ms. Lin, Meen-Ron, the corporate representative of Director and CFO, has 555,000 shares under trust with discretion reserved.
Note 5: Mr. Wang, Ching-Te served as the Vice President on July 2, 2019.
Note 6: Mr. Li, Kuan-Tse served as the Senior Vice President of R&D on February 24, 2020.
Note 7: Mr. Michael Lane served as the Vice President of New Technology R&D on June 13, 2019.

Table for Remuneration Ranges of Directors

<table>
<tr><th rowspan="3">Table for Remuneration Ranges of Each Director of Accton</th><th colspan="4">Director's Name</th></tr>
<tr><th colspan="2">Total Remuneration of A+B+C+D</th><th colspan="2">Total Remuneration of A+B+C+D+E+F+G</th></tr>
<tr><th>Accton</th><th>All Companies Listed in Financial Statements (H)</th><th>Accton</th><th>All Companies Listed in Financial Statements (I)</th></tr>
<tr><td>Less than NT$1,000,000</td><td></td><td></td><td></td><td></td></tr>
<tr><td>NT$1,000,000 (inclusive)To NT$2,000,000 (exclusive)</td><td></td><td></td><td></td><td></td></tr>
<tr><td>NT$2,000,000 (inclusive)To NT$3,500,000 (exclusive)</td><td></td><td></td><td></td><td></td></tr>
<tr><td>NT$3,500,000 (inclusive)To NT$5,000,000 (exclusive)</td><td></td><td></td><td></td><td></td></tr>
<tr><td>NT$5,000,000 (inclusive) to NT$10,000,000 (exclusive)</td><td>General Director:
Huang, Kuo-Hsiu
Representative of
Kuan Xin Investment Corp.:
Kuo, Fai-Long
Representative of Kuan Xin Investment Corp.:
Lin, Meen-Ron
Representative of Ting Sing Co., Ltd.:Du, Heng-Yi
Independent directors:
Liu, Chiung-Lang,
Lin, Hsiu-Ling,
Chang, Chih-Ping,
Chen, Shu, Chen, Wei-Zen</td><td>General Director:
Huang, Kuo-Hsiu
Representative of Kuan Xin Investment Corp.:
Kuo, Fai-Long
Representative of Kuan Xin Investment Corp.:
Lin, Meen-Ron
Representative of Ting Sing Co., Ltd.: Du, Heng-Yi
Independent directors:
Liu, Chiung-Lang,
Lin, Hsiu-Ling,
Chang, Chih-Ping,
Chen, Shu, Chen, Wei-Zen</td><td>General Director:
Representative of Ting Sing Co., Ltd.:
Du, Heng-Yi
Huang, Kuo-Hsiu
Independent Director:
Liu, Chiung-Lang,
Lin, Hsiu-Ling,
Chang, Chih-Ping,
Chen, Shu,
Chen, Wei-Zen</td><td>General Director:
Representative of Ting Sing Co., Ltd.: Du, Heng-Yi
Huang, Kuo-Hsiu
Independent Director:
Liu, Chiung-Lang,
Lin, Hsiu-Ling,
Chang, Chih-Ping,
Chen, Shu
Chen, Wei-Zen</td></tr>
<tr><td>NT$10,000,000 (inclusive) to NT$15,000,000 (exclusive)</td><td></td><td></td><td></td><td></td></tr>
<tr><td>NT$15,000,000 (inclusive) to NT$30,000,000 (exclusive)</td><td></td><td></td><td>General Director:
Representative of Kuan Xin Investment Corp.:
Kuo, Fai-Long
Representative of Kuan Xin Investment Corp.:
Lin, Meen-Ron</td><td>General Director:
Representative of Kuan Xin Investment Corp.:
Kuo, Fai-Long
Representative of Kuan Xin Investment Corp.:
Lin, Meen-Ron</td></tr>
<tr><td>NT$30,000,000 (inclusive) to NT$50,000,000 (exclusive)</td><td></td><td></td><td></td><td></td></tr>
<tr><td>NT$50,000,000 (inclusive) to NT$100,000,000 (exclusive)</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Over NT$100,000,000</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Total</td><td>9 persons</td><td>9 persons</td><td>9 persons</td><td>9 persons</td></tr>
</table>

Table for Remuneration Ranges of President and Vice Presidents

Table for Remuneration Ranges of Each President and Vice President	Name of President and Vice President	
	Accton	All Companies Listed in Financial Statements (E)
Less than NT$1,000,000	Edgar Masri	
NT$1,000,000 (inclusive) to NT$2,000,000 (exclusive)	Wang, Jing-De Chiu, Kuo-Tai	Edgar Masri Wang, Jing-De Chiu, Kuo-Tai
NT$2,000,000 (inclusive) to NT$3,500,000 (exclusive)		
NT$3,500,000 (inclusive) to NT$5,000,000 (exclusive)	Liew, Hin-Soon	Michael Lane Liew, Hin-Soon
NT$5,000,000 (inclusive) to NT$10,000,000 (exclusive)	Yu, Ji-Hsiang	Yu, Ji-Hsiang
NT$10,000,000 (inclusive) to NT$15,000,000 (exclusive)	Lee, Chih-Chiang Lin, Meen-Ron	Lee, Chih-Chiang Lin, Meen-Ron
NT$15,000,000 (inclusive) to NT$30,000,000 (exclusive)		
NT$30,000,000 (inclusive) to NT$50,000,000 (exclusive)		
NT$50,000,000 (inclusive) to NT$100,000,000 (exclusive)		
Over NT$100,000,000		
Total	7 persons	8 persons

(4) Manager's Name and the Distribution of Employee Bonus:

Unit: NT$ Thousand

Job Title	Name	Stock Amount	Cash Amount	Total	Ratio (%) of Total Remuneration to Net Income After Tax
CEO、General Manager (Note 1)	Edgar Masri	—	12,200	12,200	0.25%
President (Note 2)	Lee,Chih-Chiang				
Senior Vice President of Research and Development	Yu, Ji-Hsiang				
Senior Vice President (Note 3)	Chiu, Kuo-Tai				
CFO	Lin, Meen-Ron				
Vice President	Liew, Hin-Soon				
Vice President (Note 4)	Wang, Ching-Te				
Senior Vice President of R&D (Note 5)	Li, Kuan-Tse				
New technology R&D Vice President (Note 6)	Michael Lane				

Note 1: Mr. Edgar Masri served as the CEO on November 12, 2019 and concurrently served as the General Manager on April 10, 2020.
Note 2: Mr. Lee, Chih-Chiang resigned as the General Manager on April 10, 2020.
Note 3: Mr. Chiu, Kuo-Tai resigned as the Senior Vice President on July 1, 2019.
Note 4: Mr. Wang, Ching-Te served as the Vice President on July 2, 2019.
Note 5: Mr. Li, Kuan-Tse served as the Senior Vice President of R&D on February 24, 2020.
Note 6: Mr. Michael Lane served as the Vice President of New Technology R&D on June 13, 2019.

(5) Respectively compare and describe the analysis of the proportion of total remuneration paid to Accton's Directors, Supervisors, President and Vice President by Accton and all the companies listed in the consolidated financial statements in the most recent two years to the Net Income After Tax in individual financial statements, and describe the policies, standards and packages for payment of remuneration, as well as the procedures followed for determining remuneration, and their linkages to business performance and future risk.

1. Analysis of the proportion of total remuneration paid to Accton's Directors, Supervisors, President and Vice President by Accton and all the companies listed in the consolidated financial statements in the most recent two years to the Net Income After Tax:

Unit: NT$ Thousand; %

Job Title	Ratio of Total Remuneration of 2019 to Net Income After Tax (%)		Ratio of Total Remuneration of 2018 to Net Income After Tax (%)	
	Accton	All Companies Listed in Financial Statements	Accton	All Companies Listed in Financial Statements
Director	1.45%	1.45%	2.98%	2.99%
Supervisor	-	-	0.28%	0.28%
President and Vice Presidents	0.73%	0.87%	1.85%	1.87%

Analysis of Changes in Percentage:

In 2019, the ratio of the total remuneration of Directors, General Manager and Vice President of Accton to net profit after tax (%) decreased compared with 2018, mainly due to remuneration of the senior executives was reserved to be issued in 2020 in order to evaluate the operational performance in a prudent manner under the ever-changing market environment.

Note: As Accton has established the Audit Committee in 2018, there is no supervisor in 2019.

2. Policies, standards and packages for payment of remuneration, as well as the procedures followed for determining remuneration, and their linkages to business performance and future risk.

   1) Directors: Payment of remuneration to Directors is specified in Article 18 of Accton's Articles of Association. If Accton has gained profits within a fiscal year, 1% to 11.25% of the profits shall be reserved as employee bonus to employees, including those of subsidiaries meeting certain specific requirements, and the Board of Directors shall decide whether to distribute in the form of shares or in cash. Accton may, upon resolution by the Board of Directors, reserve no more than 1.5% of the aforesaid profit as remuneration of Directors and Supervisors. Proposals for the distribution of employee bonus and remuneration of Directors shall be submitted to the shareholders' meeting. In case of accumulated loss, Accton shall reserve a specific amount to make up for losses, and then distribute employee bonus and remuneration of Directors according to aforementioned ratios.
   2) President and Vice President: The remuneration to be paid by Accton to President and Vice President is composed of fixed salary and variable bonus, which shall be reported to and approved by the Board of Directors by referring to the general payment standards in the same industry and considering Accton's business performance as well as the relation with and the appropriateness of individual performance by Remuneration Committee.
   3) Future risks: Accton has established Remuneration Committee, which will regularly review the assessment made on the performance of directors and managers as well as their remuneration policies, systems, standards and structure, and refer to Accton's overall operation and performance status, the ratio of meeting performance standards by managers and the level of contribution made by them to the company and other factors, and then the remuneration of Directors and managers, which is composed of fixed salary and variable bonus, will be determined after it is approved by HR department and the person in charge of that, so as to fully present individual and team performance.

IV. Company Management

(1) Implementation of Board Meetings

Information about Implementation of Board Meetings

1. Tenure of current Board of Directors: June 13, 2018 to June 12, 2021.
2. The Board of Directors held 6 meetings in 2019, the attendance status of directors is as follows:

Title	Name	Actual Attendance (B)	Attendance by Proxy	Ratio of Actual Attendance (%) [B/A]	Remark
Chairman of the Board	Kuan Xin Investment Corp. Representative: Kuo, Fai-Long	6	0	100.00%	
Director	Kuan Xin Investment Corp. Representative: Lin, Meen-Ron	5	0	83.33%	
Director	Ting Sing Co., Ltd. Representative： Du, Heng-Yi	5	0	83.33%	
Director	Huang, Kuo-Hsiu	5	1	83.33%	
Independent Director	Liu, Chung-Laung	6	0	100.00%	
Independent Director	Chang, Chih-Ping	6	0	100.00%	
Independent Director	Chen, Shuh	4	2	66.67%	
Independent Director	Lin, Shiou-Ling	4	1	66.67%	
Independent Director	Chen, Wei-Zen	6	0	100.00%	

Other Required Disclosures

I. The date, session number of the Board meeting, proposal contents, opinions of all Independent Directors, and Accton’s reactions towards Independent Director’s opinions shall be recorded in case the following Board operation occurs:

(1) Items specified in Article 14-3 of the Securities and Exchange Act.

Board of Directors	Proposal contents	Items specified in §14-3 of Securities and Exchange Act	Independent Director's Opinion	Company's Reaction towards Independent Director's Opinions	Resolution
The 4th session of the 11th term on March 21, 2019	1. Amendment to the “Procedures for Acquisition or Disposal of Assets.” 2. Amendment to the “Procedures for Lending Funds to Others for Operation” and “Procedures for Endorsing on Guarantee.”	V	None	None	Unanimously approved by all the independent directors present.
The 5th session of the 11th term on May 9, 2019	1. Provision of endorsements/guarantees for Accton Technology Co., Ltd., a wholly-owned subsidiary of Accton.	V	None	None	Unanimously approved by all the independent directors present.

The 9th session of the 11th term on December 20, 2019	1. The change of internal audit supervisor.	V	None	None	Unanimously approved by all the independent directors present.

(2) Other than the matters mentioned above, the resolutions with records or written statements on which independent directors have dissenting opinions or qualified opinions: None.

II. In regards to the recusal of directors due to conflict of interests, the name of the directors, proposal contents, the reasons for recusal due to conflict of interests and voting result:
There was no recusal due to conflict of interests in 2019.

III. Evaluation of Accton's Board of Directors: Accton will evaluate the Board of Directors in 2020.

IV. Targets for enhancing the function of Board of Directors in current year and the most recent year, and implementation assessment:

(1) Accton selected 9 directors in 2018 for the 11th term of the Board of Directors (including 5 independent directors), in accordance with candidate nomination system, with the tenure of 3 years from June 13, 2018 to June 12, 2021. All independent directors concurrently serve as the members of the Audit Committee to improve the independence and diversity of the Board of Directors. The diversity policy for election of directors includes the basic conditions and values, such as gender, age, nationality, culture, as well as professional knowledge, professional background, and industrial experience.

(2) In order to improve company's governance, Accton formulated the "Rules of Procedures of the Board of Directors", and announced the director attendance at the meeting of the Board of Directors on the Market Observation Post System and disclosed the major resolutions made by the Board of Directors on Accton 's website.

(3) Accton set up "Remuneration Committee" to assist the Board of Directors in performance of their duties, assessment and approval of the remuneration of Directors and managers, and report to the Board of Directors on a regular basis.

(4) In order to enhance the Directors' corporate governance ability, Accton proactively provides training courses, encourages Directors to actively participate in corporate governance training courses and invites professional lecturers to give lessons from time to time, so as to strengthen the competency of the Board members. In 2019, 9 directors participated in training courses, with a total of 54 hours.

(5) Accton attaches great importance to shareholders' rights, and provides company information on a transparent basis. Any major resolution announcement is immediately made on Accton's website.

V. Attendance of independent directors at each meeting of the Board of Directors in 2018

Independent Director	2019					
	March 21	May 9	March 21	April 8	March 21	December 20
Liu, Chung Laung	Attended in person	Attended in person	Attended in person	Attended in person	Attended in person	Attended in person
Chang, Chih-Ping	Attended in person	Attended in person	Attended in person	Attended in person	Attended in person	Attended in person
Chen, Shu	Attended by proxy	Attended in person	Attended in person	Attended in person	Attended in person	Attended by proxy
Lin, Shiou-Ling	Attended by proxy	Attended in person	Attended in person	Attended in person	Attended in person	On leave
Chen, Wei-Zen	Attended in person	Attended in person	Attended in person	Attended in person	Attended in person	Attended in person

(2) Implementation of Audit Committee Operations or Supervisors' Participation in Board of Directors' Meetings

Implementation of the Meeting of Audit Committee

Accton's Audit Committee is composed of all independent directors, and designed to assist the Board of Directors in monitoring the company and improvement of corporate governance efficiency. Its powers include: (1) Formulation of or amendment to internal control system. (2) Assessment on the effect of internal control system. (3) Formulation of or amendment to the procedures for acquiring or disposing assets, engaging in derivative commodity transactions, lending funds to others, endorsing for others or providing guarantee and other major financial and business activities. (4) Matters involving director's own interests. (5) Major assets or derivative commodity trading. (6) Major funds lending, endorsement or provision of guarantee. (7) Raising, issuance or private offer of securities with equity nature. (8) Appointment, dismissal and remuneration of CPAs. (9) Appointment and dismissal of finance manager, accounting manager, and head of internal audit. (10) Annual and semi-annual financial reports. (11) Major matters stipulated by Accton or competent authorities. The Audit Committee holds regular meetings every quarter, and requires the managers of relevant departments, internal auditors, accountants, legal counsel or other personnel to attend and provide relevant necessary information within the scope of its power.

1. Accton's Audit Committee, composed of 5 members, was established on June 13, 2018.
2. Tenure of current committee: from June 13, 2018 to June 12, 2021.
3. The Audit Committee established in 2019 held meetings for 5 times, with the attendance by independent directors as follows:

Job Title	Name	Number of Actual Attendance (B)	Number of Attendance in Proxy	Ratio of Actual Attendance (%) [B/A]	Remark
Convener	Lin, Shiou-Ling	4	0	80.00%	
Member	Liu, Chung Laung	5	0	100.00%	
Member	Chang, Chih-Ping	5	0	100.00%	
Member	Chen, Shuh	4	1	80.00%	
Member	Chen, Wei-Zen	5	0	100.00%	

Other Required Disclosure

I. If Audit Committee has any of the following circumstances, the date and session number of the meeting of Board of Directors, proposal contents, the resolution made by Audit Committee and the Accton's reactions towards Audit Committee's opinions shall be specified:

(I) Items listed in Article 14-5 of the Securities and Exchange Act.

Audit Committee	Contents of Resolution	Issues specified in §14-5 of Securities and Exchange Act	Company's Reaction towards Audit Committee's Opinions	Result of Resolution made by Audit Committee
The 4th session of the 1st term on March 21, 2019	1. Approving amendment to Accton's "Procedures for Acquisition or Disposal of Assets" 2. Amendment to Accton's "Procedures for Loaning of Funds to Others" 、 "Operational Procedures for Making Endorsements/Guarantees" 3. Approving "Statement about Internal Control System" of 2018. 4. Approving the financial statements as of 2018.	V	None	Unanimously approved by all the independent directors present.
The 5th session of the 1st term on May 9, 2019	1. Approving the financial statements as of the 1st quarter of 2019. 2. Provision of endorsements/guarantees for Accton Technology Co., Ltd., a wholly-owned subsidiary of Accton.	V	None	Unanimously approved by all the independent directors present.
The 6th session of the 1st term on November 12, 2019	1. Approving the financial statements as of the 2nd quarter of 2019.	V	None	Unanimously approved by all the independent directors present.
The 8th session of the 1st term on December 20, 2019	1. Approving the financial statements as of the 3rd quarter of 2019.	V	None	Unanimously approved by all the independent directors present.
The 9th session of the 1st term on March 19, 2020	1. Approving the appointment of the audit supervisor. 2.Approving the financial statements as of 2019.	V	None	Unanimously approved by all the independent directors present.

(II) Other than above-mentioned items, the resolutions passed by over two-thirds of all directors but not approved by the Audit Committee: None.

II. In regards to the recusal of independent directors from voting due to conflict of interests, the name of the independent directors, proposal contents, the reasons for recusal due to conflict of interests and voting condition:

There was no recusal from voting due to conflict of interests in 2019.

(I) Communication among Independent Directors, internal Audit Supervisors and accountants (including important matters, methods, and results of Accton's finance and operations):

Meeting Date	Communication with Internal Audit Supervisors	Recommendation from Independent Directors
2019.03.21	• Internal audit report of the 4th quarter of 2018 • Discussion of the "Statement about Internal Control System" of 2018.	The Independent Directors have no opinions and suggestions.
2019.05.09	• Internal audit report of the 1st quarter of 2019.	The Independent Directors have no opinions and suggestions.
2019.08.08	• Internal audit report of the 2nd quarter of 2019.	The Independent Directors have no opinions and suggestions.
2019.11.12	• Internal audit report of the 3rd quarter of 2019. • Discussion on the 2020 internal audit plan.	The Independent Directors have no opinions and suggestions.
2019.12.20	• Review on the implementation report of the internal audit.	The Independent Directors have no opinions and suggestions.

(II) In addition to reporting the audit or review of financial reports to the independent director, Accton's CPAs will also communicate and implement measures in response to the impacts of the latest financial and taxation regulations. Independent directors and the CPAs contact each other by email, telephone, or through meeting at any time as necessary. The Independent Directors and CPAs of Accton maintained smooth communication. A total of 5 communications were made this year, which are summarized as follows:

Meeting Date	Communication with CPAs	Recommendation from Independent Directors
2019.03.21	• Discussion on the audit of the financial statements of 2018, including any audit issues or difficulties, and the response of the management. • Regulation change report.	Passed unanimously without special comments by all Independent Directors present.
2019.05.09	• Discussion on the audit of the financial statements for the 1st quarter of 2019, including any audit issues or difficulties, and the response of the management.	Passed unanimously without special comments by all Independent Directors present.
2019.08.08	• Discussion on the audit of the financial statements for the 2nd quarter of 2019, including any audit issues or difficulties, and the response of the management.	Passed unanimously without special comments by all Independent Directors present.
2019.11.12	• Discussion on the audit of the financial statements for the 3rd quarter of 2019, including any audit issues or difficulties, and the response of the management.	Passed unanimously without special comments by all Independent Directors present.
2020.03.19	• Discussion on the audit of the financial statements of 2019, including any audit issues or difficulties, and the response of the management. • Regulation change report.	Passed unanimously without special comments by all Independent Directors present.

(3) Implementation of Corporate Governance and the Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the Reasons

Items of Evaluation	Implementation			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
I. Does the Company formulate and disclose the Code of Practice for Corporate Governance in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?	V		Accton formulated “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” to build satisfactory governance and risk control, create value for shareholders, adhere to honest management, and establish relevant regulations for protecting shareholders’ rights, enhancing the functions of the Board of Directors, respecting the interests of interested parties and promoting information transparency. The principles are disclosed on the Market Observation Post System and Accton’s websites for shareholders’ inquiry.	No discrepancy
II. Shareholding Structure & Shareholders’ Benefits (1) Does the Company establish an internal procedure for handling shareholder proposals, inquiries, disputes, and litigations? Are such matters handled according to the internal procedure?	V		Accton has spokesperson, investor relations, legal affairs and stock personnel and other relevant departments to serve for dealing with shareholders’ suggestions, doubts and disputes. Shareholder’s suggestions, doubts, disputes, litigation and other problems are handled in accordance with relevant operating procedures.	No discrepancy

Items of Evaluation	Implementation: Yes	Implementation: No	Implementation: Summary	Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
(2) Does the Company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders?	V		Subject to Article 25 of Securities and Exchange Act, Accton reports any changes in equity held by its internal person (the major shareholders holding more than 10% of shares) on the Market Observation Post System, enabling the service units to grasp the list of major shareholders and their final controllers immediately.	No discrepancy
(3) Does the Company establish and enforce risk control and firewall systems with its related companies?	V		Accton continuously passed the annual audit of [ISO27001: 2013 international standard certification of information security management system] with zero defects in 2019. In addition to the ongoing implementation of the PDCA cycle of the information security management system, Accton held monthly information safety activities in 2019. A total of 1,174 people participated in the comprehensive information safety training and online quiz in 2019. Physical courses and guidance will be conducted in two levels for those who fail the test to comprehensively enhance colleague’s awareness of information security and business secret protection. Senior managements also held the [meeting of information security promotion committee] regularly, reviewed the information security policies and objectives, and combined risk management system, firewall equipment update and internal audit process to achieve continuous improvement and keep pace with the times of information security protection, and this also showed the quality of Accton 's information security management and Accton 's commitment for that.	No discrepancy
(4) Does the Company formulate internal regulations to prohibit internal personnel from using the information undisclosed in market to buy and sell securities?	V		Accton has formulated the "Employee Ethics Code of Conduct" and the "Employee Ethical Behavior Management Procedures", which stipulates that insider trading is not allowed. The "Employee Rewards and Punishment Practices" has also been formulated to establish a punishment mechanism for violations. In addition, Accton provides ethical training courses for employees (the content of the courses includes the prohibition of insider trading, ethical corporate management, and corporate social responsibility). 2,482 employees participated in the training courses in 2019, and the teaching material hours are 0.5 hours, a total of 1,241 hours. Moreover, ethical training is included in the training for new employees (including the prohibition of insider trading, ethical corporate management, and corporate social responsibility). In addition, such regulations will also be reminded once again in the insider report each month.	No discrepancy
III. Composition and Responsibilities of the Board of Directors (1) Does the Board of Directors formulate and implement diversified policies for its members?	V		Accton has established a Board Diversity Policy in the "Corporate Governance Principle". The operation needs are considered through a stringent selection and nomination process, taking into account the scale of Accton's business development. Accton has 9 Directors (including 5 independent directors), which are professionals with diverse backgrounds, sufficient	No discrepancy

Items of Evaluation	Implementation: Yes	Implementation: No	Implementation: Summary	Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
			professional knowledge, experience, excellent horizon, and high ethical standards. The Company attaches great importance to the independence of Directors. In addition to increasing the number of Independent Directors, it also judges and evaluates the independence of Independent Directors in accordance with relevant regulations. Therefore, all Directors of Accton are equipped with extensive experience in the industry, high academic prestige, with outstanding performance in other professional fields. The number of Independent Directors exceeds half of the total number of Directors, accounting for approximately 56%, and the two female directors account for 22%. At present, the average term of office of 4 Independent Directors is less than 3 years, one Independent Director has a term of 4 to 6 years. Two directors are between 50 and 59 years old, four are between 60 and 69 years old, and three are above 70 years old. The implementation of the Board Diversity Policy is as follows:	

Item of Diversity / Director's Name	Gender	Law	Accounting	Marketing	Operations	Industry	Leadership	Operation	Crisis	International
General Director: Kuo, Fai-Long	Male			✓	✓	✓	✓	✓	✓	✓
General Director: Lin, Meen-Ron	Female		✓	✓	✓	✓	✓	✓	✓	✓
General Director: Huang, Kuo-Hsiu	Male			✓	✓	✓	✓	✓	✓	✓
General Director: Du, Heng-Yi	Male		✓	✓	✓	✓	✓	✓	✓	✓
Independent Director: Liu, Chiung-Lang	Male				✓	✓	✓	✓	✓	✓
Independent Director: Chang, Chih-Ping	Male			✓	✓	✓	✓	✓	✓	✓
Independent Director: Chen, Shu	Male		✓	✓	✓	✓	✓	✓	✓	✓
Independent Director: Lin, Hsiu-Ling	Female	✓			✓	✓	✓	✓	✓	✓
Independent Director: Chen, Wei-Zen	Male			✓	✓	✓	✓	✓	✓	✓

Items of Evaluation	Yes	No	Summary	Deviations
(2) Does the Company agree to set other functional committees in addition to Remuneration Committee and Audit Committee?	V		Accton’s Remuneration Committee is composed of three Independent Directors. In addition, Accton has set up Corporate Sustainability Committee composed of management team and Corporate Governance and Honesty Management Committee, regularly reporting implementation status and results to the Board of Directors.	No discrepancy

<table>
<tr><th rowspan="2">Items of Evaluation</th><th colspan="3">Implementation</th><th rowspan="2">Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>(3) Does the Company have measures and methods for appraisal of the performance of Board of Directors, and conduct performance evaluation every year and regularly? Does Accton submit the results of performance assessments to the Board of Directors and use them as reference in determining remuneration for individual Directors, their nomination and additional office term.</td><td>V</td><td></td><td>The main responsibility of Accton’s Board of Directors is to supervise, direct and evaluate the performance of management team and the appointment and dismissal of managers. The members of Accton’s Board of Directors have rich company management or academic experience, and adhere to high ethical standards and their commitment to the company. The Board meetings are held regularly every quarter. In addition to the resolutions made on proposals, management strategies and future policies are discussed with management team during the meeting. In addition, Accton will formulate performance evaluation procedures and performance review practise for the Board of Directors in 2020 to enhance corporate governance.</td><td>No discrepancy</td></tr>
<tr><td>(4) Does the Company regularly implement assessments on the independence of CPAs?</td><td>V</td><td></td><td>Accton's CPA is Deloitte & Touche. Accton regularly assesses the independence of the CPA and obtains the "CPA Independence Statement." The appointment and independence evaluation of CPA was resolved at the Board meeting on March 19, 2020. Matters to be evaluated included reviewing whether the CPA is not concurrently holding positions of Accton and related companies, whether the CPA is holding any shares of Accton, and whether the CPA has violated the "The Bulletin of Professional Ethics No. 10." The evaluation results are in line with Accton's evaluation standards of independence.</td><td>No discrepancy</td></tr>
<tr><td>IV. Whether the listed OTC company is equipped with a qualified and appropriate number of corporate governance personnel and appointed a corporate governance director responsible for corporate governance related matters (including but not limited to providing directors and supervisors with the information required for operation, assisting directors and supervisors to follow regulations, handling matters related to Board meetings and Shareholders' Meetings in accordance with the regulations, producing the minutes of Board meetings and Shareholders' Meetings)?</td><td>V</td><td></td><td>Finance and ADM Center is responsible for dealing with the affairs related to Accton’s corporate governance, and its main responsibilities and operation status of 2019 are as follows:
<table>
<tr><th>Main Responsibilities</th><th>Operation Status of 2018</th></tr>
<tr><td>Dealing with the affairs related to the meetings of Board of Directors and Shareholders, and assisting to comply with relevant laws and regulations of Board of Directors and Shareholders.</td><td>Meetings were held in according with laws and regulations.</td></tr>
<tr><td>Making minutes of meetings of Board of Directors and Shareholders.</td><td>Minutes were made in accordance with laws and regulations.</td></tr>
<tr><td>Review the compliance with corporate governance every year.</td><td>Propose improvement plans and countermeasures for standards that are yet to be reached .</td></tr>
<tr><td>Making amendments to other measures.</td><td>Executed.</td></tr>
</table></td><td>No discrepancy</td></tr>
</table>

Items of Evaluation	Implementation			Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
V. Does the Company establish the channels for communication with interested parties (including but not limited to shareholders, employees, customers and suppliers), and set up special space for interested parties on the official website, and properly respond to the important corporate social responsibility issues concerned by interested parties?	V		Accton respects and protects the legitimate rights and interests of stakeholders. Accton's website (www.accton.com) has contact information for stakeholders (employees/competent authorities/investors/shareholders/ODM customers/suppliers/external complaints) and maintains a smooth communication channel to establish a smooth communication channel with investors. A corporate responsibility report is provided every year to enable stakeholders to understand Accton. Accton has established employee communication channels, which enables employees to give opinions by email or writing.	No discrepancy
VI. Does the Company appoints professional stock affairs agency to deal with the affairs of the Board of Shareholders?	V		Accton appoints the professional stock affairs agency, Yuanta Securities Finance Co., Ltd., to be responsible for serving for shareholders and dealing with stock affairs.	No discrepancy
VII. Disclosure of Information (1) Does the Company establish a website to disclose information on financial operations and corporate governance?	V		(1) Financial, business and corporate governance information are updated and disclosed at any time and regularly through Accton's website www.accton.com). In addition, Accton's governance condition is explained to investors at the meetings of corporate description and Board of Shareholders.	No discrepancy
(2) Does the Company adopt other methods for disclosure of information (such as setting up English website, designating special person to be responsible for collection and disclosure of company information, implementing spokesperson system, and placing the procedures for corporate description meeting on the Company's website etc.)?	V		(2) Accton has a company website (www.accton.com) that fully discloses financial, business and corporate governance related information for shareholders' reference. A dedicated person is responsible for data collection and update. Accton has established "Procedures for Handling Material Internal Information" to established an optimized internal material information handling and disclosure mechanism and implemented a spokesperson system. In addition to announcing monthly revenue, Accton also actively announces quarterly profit and loss, holds roadshows regularly, which are disclosed on Accton's website to enhance the transparency of corporate information.	No discrepancy
(III) Does the Company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as	V		Accton publishes and reports its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline.	No discrepancy

Items of Evaluation	Implementation: Yes	Implementation: No	Implementation: Summary	Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
its operating status for each month before the specified deadline.				
VIII. Does the Company have other important information that facilitates understanding of its corporate governance condition (including but not limited to employee rights and benefits, employees care, relationship with investors and suppliers, rights of interested parties, further education of Directors and Supervisors, implementation of risk management policies and measurement standards, implementation of customer policies, liability insurance purchased by the Company for the Directors and Supervisors)?	V		(1) Employee's rights and employee care: Accton believes that "people" is the most important asset, thus it spares no effort to invest in the training of staff, encourages employees to participate in training courses, takes measures to provide welfare for staff and sets up labor safety and health department to prevent occupational disasters and offer related consulting, and provides health lectures and examination to ensure employees' safety and health. (2) Investor Relations In addition to setting up dedicated units to deal with shareholders' matters, Accton discloses complete information on the Market Observation Post System and official websites to let investors know about its operation status, and communicates with investors through the Board of Shareholders and spokespersons. (3) Supplier Relations Accton always maintains a good relationship with its suppliers, establishes a stable supply chain, and conducts audit from time to time to confirm the quality of supplies. (4) Interested Party's Rights: Interested parties must communicate with and make suggestions to Accton to protect their legitimate rights and interests. (5) Director Training All of Accton's Directors have relevant professional knowledge, to whom Accton also arranges courses related to corporate governance from time to time every year. The information has been disclosed on the Market Observation Post System. (Please see following Table). (6) Implementation of Risk Management Policies and Risk Measurement Standards Relevant measures for important management indicators have been established and implemented by Accton. (7) Implementation of Customer Policies Accton always adheres to the business idea of serving for customers, and maintains a stable and good relationship with customers to create the best interests for both parties. (8) Liability Insurance Purchased for Accton's Directors Accton has purchased liability insurance for all Directors, with an insured amount of US$15 million and an insurance period from October 25, 2019 to October 25, 2020. The amount, coverage and insurance rate of the Directors' liability insurance were submitted to the Board of Directors for approval on November 12, 2019. (9) Further Education for Managers: Managers are arranged to accept non-scheduled education (please see following Table), and the information is disclosed on	No discrepancy

Items of Evaluation	Implementation			Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			the Market Observation Post System (10) Succession Plan of Directors and Key Management: In addition to the professional background and professional skills, the Directors of Accton are experienced in company operation and planning. In order to enhance the professionalism of the Board of Directors and key management, Accton takes into account the profession of each Director and key management, and selects courses related to the nature of Accton's industry, such as finance, business, commerce, legal affairs, risk management, corporate social responsibility, internal control system, and arranges at least 6 hours of training courses each year to ensure that the Board of Directors and key management maintain a certain level of industry knowledge and acquire new knowledge. Over the years, Accton has been conducting development programs for key management, with a hope to cultivate a new generation of leader team by restructuring, reorganizing and building. Accton arranges internal senior managers to attend and participate in Board meetings to familiarize Board operations and arranges job rotations and assignments to accumulate experience. Therefore, Accton intends to achieve maximum efficiency in inheritance and development through the combination of old and new faces, so as to create new life and new opportunities for Accton. Accton's Board of Directors was completely re-elected in 2018, with Kuo, Fai-Long, Executive Vice President, serving as the Chairman of Accton. In response to the growth of the corporate organization, in addition to recruiting talented senior managers, Accton also continues to nurture employees with potential, strengthens training, job rotation and assignment, so as to accumulate experience, and identify talents to be trained as future management teams.	

IX. Please explain the improved conditions regarding the results of the corporate governance assessment issued by the corporate governance center of Taiwan Stock Exchange Corporation in recent years, and propose priorities and measures for improving the condition not improved yet.

The sixth annual corporate governance of Accton in 2019 was appraised as between 21%-35%.

Improvements in the sixth annual corporate governance standard		
No.	**Indicator Item**	**Improvement Method**
2.24	Have Accton's Directors and supervisors completed the hours of continuing education required by the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies"?	All Director training hours have been completed in 2019.
2.25	Have Accton's Independent Directors completed the hours of continuing education required by the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies"?	All Independent Director training hours have been completed in 2019.

Items of Evaluation		Implementation: Yes	Implementation: No	Implementation: Summary	Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
3.15	Does Accton's annual report disclose the amount and nature of non-audit fees paid to CPAs and the affiliates of their associated accounting firm?			Details on service nature has been explained in 2019.	

Improvements that are yet to be made and shall be prioritized in the sixth annual corporate governance standard

No.	Indicator Item	Priorities to strengthen and measures
1.15	Has Accton established internal rules and disclosed them on the company website to prohibit insiders, such as the Directors or employees, from taking advantage of information not available on the market to make profits?	Relevant information and detailed implementation status will be disclosed on the company website.
2.15	Has Accton disclosed the communication of Independent Directors, internal audit supervisors and CPAs on the company website?	Communication details will be explained in 2020.

X. Further Education of Accton's Directors in 2019:

Job Title	Name	Date of Education	Organized by	Name of Course	Hours of Education
Chairman of the Board	Kuo, Fai-Long	2019.05.09 2019.08.08	Taiwan Corporate Governance Association Taiwan Corporate Governance Association	How Directors and supervisors review the internal control and internal audit Corporate governance and responsibilities of the Directors and supervisors under the new Company Act	3 hours 3 hours
Director	Huang, Kuo-Hsiu	2019.05.09 2019.08.08	Taiwan Corporate Governance Association Taiwan Corporate Governance Association	How Directors and supervisors review the internal control and internal audit Corporate governance and responsibilities of the Directors and supervisors under the new Company Act	3 hours 3 hours
Director	Lin, Meen-Ron	2019.05.09 2019.08.08	Taiwan Corporate Governance Association Taiwan Corporate Governance Association	How Directors and supervisors review the internal control and internal audit Corporate governance and responsibilities of the Directors and supervisors under the new Company Act	3 hours 3 hours
Director	Du, Heng-Yi	2019.01.29 2019.04.10	Taiwan Insurance Institute Taiwan Insurance Institute	CSR and ESG investment - Taking the sustainable business strategy of the insurance industry as an example Green finance	3 hours 3 hours
Independent Director	Liu, Chung-Laung	2019.05.09 2019.08.08	Taiwan Corporate Governance Association Taiwan Corporate Governance Association	How Directors and supervisors review the internal control and internal audit Corporate governance and responsibilities of the Directors and supervisors under the new Company Act	3 hours 3 hours
Independent Director	Chang, Chih-Ping	2019.05.09 2019.08.08	Taiwan Corporate Governance Association Taiwan Corporate Governance Association	How Directors and supervisors review the internal control and internal audit Corporate governance and responsibilities of the Directors and supervisors under the new Company Act	3 hours 3 hours

Items of Evaluation		Implementation				Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
		Yes	No	Summary		
Independent Director	Chen, Shuh	2019.05.09 2019.08.08	Taiwan Corporate Governance Association Taiwan Corporate Governance Association	How Directors and supervisors review the internal control and internal audit Corporate governance and responsibilities of the Directors and supervisors under the new Company Act		3 hours 3 hours
Independent Director	Lin, Shiou-Ling	2019.05.09 2019.08.08	Taiwan Corporate Governance Association Taiwan Corporate Governance Association	How Directors and supervisors review the internal control and internal audit Corporate governance and responsibilities of the Directors and supervisors under the new Company Act		3 hours 3 hours
Independent Director	Chen, Wei-Zen	2019.05.09 2019.08.08	Taiwan Corporate Governance Association Taiwan Corporate Governance Association	How Directors and supervisors review the internal control and internal audit Corporate governance and responsibilities of the Directors and supervisors under the new Company Act		3 hours 3 hours

XI. Accton's managers' (President, Vice Presidents, accountants, financial and internal audit supervisors) participation in the further education and training related to corporate governance:

Education and Training in 2019.

Job Title	Name	Date of Education	Organized by	Name of Course	Hours of Education
Accounting Manager	Lin, Meen-Ron	2019.05.16	Accounting Research and Development Foundation	Frequently Asked Questions and Practice Analysis of IFRS16 "Leasing"	3 hours
		2019.05.16	Accounting Research and Development Foundation	Corporate Governance Practices: Analysis of Trends and Practice Cases of "Comprehensive Corporate Value Management"	3 hours
		2019.05.17	Accounting Research and Development Foundation	The key role of "significant news" in economic crimes: legal responsibility and case study	3 hours
		2019.05.17	Accounting Research and Development Foundation	Analysis of relevant regulations and corresponding practices of the new Corporate Governance Blueprint (2018-2020)	3 hours
Audit Supervisor	Huang,Kuo-Ning	2019.12.13 ~ 2019.12.17	Internal Audit Committee	Pre-job training for companies' internal auditing personnel	18 hours

(4) If the Company has set up a Remuneration Committee, it shall disclose the composition, responsibilities and operation thereof:

To improve corporate governance and strengthen the remuneration management function of the Board of Directors, assist in the implementation and evaluation of Accton's overall remuneration and benefits policies, as well as the remuneration of Directors and senior managers, Accton established the Remuneration Committee in 2011, consisting of all Independent Directors, meetings are held at least three times a year and are convened as necessary at any time to provide recommendations to the Board for reference in decision-making.

A. The power of Accton's Remuneration Committee: (1). Establish and periodically review the performance evaluation and remuneration policy, system, standards and structure for Directors and managers. (2). Regular assessment and determination of remuneration of Directors and managers.

B. The Remuneration Committee shall perform its functions according to the following standards: (1). The performance evaluation and remuneration of Directors and managers shall be given with reference to the prevailing standards of the industry and taken into account the reasonableness of the correlation between the company's business performance and future risks. (2). The Directors and managers shall not be guided to involve in the actions that exceed Accton's risk appetite for remuneration. (3). The proportion of remuneration for the short-term performance of Directors and senior managers, as well as the time of payment of partial changed remuneration shall be determined in consideration of the industry characteristics and the nature of Accton's business.

1. Profiles of the Members of Remuneration Committee

Identity	Condition Name	Whether have more than five years of working experience and the following professional qualification			Independence (Note 2)								Number of Other Public Companies where the Individual Concurrently Serves as a Member of the Remuneration Committee	Remarks
		Instructor of related departments of the public and private colleges required for commerce, legal affairs, finance, accounting or corporate businesses or above	Judge, prosecutor, lawyer, accountant or other specialized, professional and technical personnel passed national examinations and holding certificates necessary for the company's businesses	Working experience required for commerce, legal affairs, finance, accounting or corporate businesses	1	2	3	4	5	6	7	8		
Independent Director	Chang, Chih-Ping		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None
Independent director	Liu, Chung Laung	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	2	None
Independent director	Lin, Shiou-Ling		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None

Note 1: For any member who meets the relevant condition(s) for two years before being elected to the office or during the term of office, please insert " " in the blank space corresponding to each condition.✓

(1) Not employed by Accton or its related companies.

(2) Not a Director or Supervisor of Accton or its related companies. except for the Independent Directors of Accton or its parent companies, and subsidiaries directly and indirectly holding over 50% of the shares with voting rights.

(3) Not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items.

(5) Not a Director, Supervisor, or employee of an institutional shareholder that directly holds more than 5% of the total number of issued shares of Accton or is ranked top 5 in terms of quantity of shares held.

(6) Not a Director (member of the governing board), Supervisor (member of the supervising board), managerial officer, or shareholder holding more than 5% of shares of a specified company or institution that has a financial or business relationship with Accton.

(7) Not a professional individual or owner, partner, Director (member of the governing board), Supervisor (member of the supervising board), managerial officer, or spouse thereof, of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting, or consultation services to Accton or its related companies.

(8) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

2. Operations of Remuneration Committee

1) Accton's Remuneration Committee, composed of 3 members, was established on October 27, 2011.
2) Tenure of Current Remuneration Committee: June 13, 2018 to June 12, 2021.

3) The Remuneration Committee held meetings for 3 times (A) in the most recent year, and the attendance of members is as follows:

Job Title	Name	Number of Actual Attendance (B)	Number of Attendance in Proxy	Ratio of Actual Attendance (%) [B/A]	Remarks
Convener	Chang, Chih-Ping	3	0	100%	
Member of Committee	Liu, Chung Laung	3	0	100%	
Member of Committee	Lin, Shiou-Ling	3	0	100%	

Other Required Disclosure:

I. The date of the Remuneration Committee's meeting in the most recent fiscal year, the content of resolutions, voting results, and Accton's response to the opinions of the Remuneration Committee:

Remuneration Committee	Contents of Resolution	Voting Results	Accton's response to the opinions of the Remuneration Committee
2nd session of the 4th term 2019.03.11	• The Distribution of the 2018 Employees, Directors and Supervisors Remuneration Resolution.	Adopted with the approval of all members of the Committee	The proposal was submitted to the Board of Directors for resolution, and was approved unanimously by all the Directors present.
3rd session of the 4th term 2019.06.13	• Accton's Managers Annual Salary and Organizational Performance Resolution. • Accton's New Manager Remuneration Resolution.	Adopted with the approval of all members of the Committee	The proposal was submitted to the Board of Directors for resolution, and was approved unanimously by all the Directors present.
4th session of the 4th term 2019.10.31	• Accton's New Manager Remuneration Resolution.	Adopted with the approval of all members of the Committee	The proposal was submitted to the Board of Directors for resolution, and was approved unanimously by all the Directors present.
5th session of the 4th term 2020.01.22	• Accton's New Manager Remuneration Resolution.	Adopted with the approval of all members of the Committee	The proposal was submitted to the Board of Directors for resolution, and was approved unanimously by all the Directors present.
6th session of the 4th term 2020.02.24	• The Responsibilities of Accton's New Manager Resolution.	Adopted with the approval of all members of the Committee	The proposal was submitted to the Board of Directors for resolution, and was approved unanimously by all the Directors present.
7th session of the 4th term 2020.03.12	• The Distribution of the 2019 Employees and Directors Remuneration Resolution.	Adopted with the approval of all members of the Committee	The proposal was submitted to the Board of Directors for resolution, and was approved unanimously by all the Directors present.

II. If the Board of Directors does not adopt or amend the recommendations made by the Remuneration Committee, the date and session of the Board of Directors' meeting, details of the resolutions, voting results and Accton's response to the opinions of the Remuneration Committee shall be disclosed (if the remuneration approved by the Board of Directors is better than that recommended by the Remuneration Committee, the differences and reasons shall be stated): No such circumstances in the year.

III. Regarding resolutions of the Remuneration Committee, if there is any written record or statement pertaining to members’ objections or qualified opinion, the date and session of the Remuneration Committee meeting, details of the resolution, and all members' response to the opinions of the members shall be stated: No such circumstances in the year.

(5) Fulfillment of social responsibilities:

<table>
<tr><th rowspan="2">Items of Evaluation</th><th colspan="3">Implementation</th><th rowspan="2">Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>I. Has the Company conducted risk evaluation on the environmental, social, and corporate governance issues related to its operations based on the principle of materiality and established related risk management policies or strategies?</td><td>V</td><td></td><td>Accton has a "Risk Management Procedure" in place, in which Accton regularly assesses risks and confirms the evaluation on each kind of risk on a yearly basis to effectively identify and control Accton's risks and risk management and subsequent improvement measures, with a view to reducing the risks to an acceptable level and ensuring smooth business operations.
Information Security Risk
Information Security Policies
1. Appropriate information security management organization has been established to maintain the normal operation of information security management system.
2. Information assets monitoring and controlling mechanism shall be established, and all employees (including regular employees or external persons appointed, such suppliers, part-time employees and consultants etc.) shall be under the responsibility and obligation to protect the information assets related to the business responsible by them to ensure the confidentiality, accuracy and availability of Accton Group’s important information assets.
3. Employees shall perform work within proper scope, and only may be granted with the authority and information necessary for the completion of their work.
4. The personnel to be employed shall accept necessary evaluation and sign on relevant operation rules, and participate in information security education and training, so as to know that it is everyone’s obligation to maintain and protect information security, which shall be implemented at daily work.
5. Continuous management mechanism shall be formulated and regular test and training shall be conducted to maintain its applicability.
6. The measures taken by Accton Group in respect of information security shall comply with the requirements specified in laws and Accton Group’s information security policies; Formulation of and modification to all information security regulations or procedures shall follow and comply with information security management systems.
Information Security Targets
1. The requirements specified in laws and regulations, the orders of competent authorities, the terms of the contracts signed with customers or the requirements for professional duties shall be met.
2. Customer information shall be protected and kept to prevent intentional improper and unlawful use.</td><td>No discrepancy</td></tr>
</table>

Items of Evaluation	Implementation			Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			3. Continuity and timeliness of rendering services shall be ensured. 4. Accuracy and completeness of the information provided shall be ensured. 5. In case of damage occurred to the rights and interests of related (interested) parties due to information security accident, response shall be made and it shall be handled appropriately. Changes in Accounting Estimates and Errors" from the date of the change. Specific measures: Accton continuously passed the annual audit of [ISO27001: 2013 international standard certification of information security management system] with zero defects in 2019. In addition to the ongoing implementation of the PDCA cycle of the information security management system, Accton held monthly information security activities in 2019. A total of 1,174 people participated in the comprehensive information security training and online quiz in 2019. Physical courses and guidance will be conducted in two levels for those who fail the test, so as to increase the employees' awareness on information safety and protection of business secrets. The senior management also regularly convenes "Information Security Promotion Committee" to review information security policies and objectives, and to integrate risk management systems, firewall information security equipment updates and internal audit processes to achieve continuous improvement and keep abreast with the latest information security protection, while demonstrating Accton's quality and commitment to information security management. Environment, Health and Safety Risks 1. Accton has established "Environmental Planning Procedures" to collect information of stakeholders and identify risks and opportunities of environmental safety. In terms of law: Subject to law, Accton does not need to declare for greenhouse gas inspection but it adheres to the vision of sustainable business, and establishes greenhouse gas inspection system independently, with specific measures as follows: (1) Formulate relevant procedures for greenhouse gas inventory (2). Complete 2019 annual greenhouse gas inspection (3). Formulate greenhouse gas inspection policies 2. In terms of energy consumption of the product: Accton adds environmental performance requirements to the procurement process, such as prioritizing the purchase of equipment with better environmental performance, including environmental protection labels and water-saving labels.	

Items of Evaluation	Implementation			Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
II. Has the Company set up full-time (part-time) units to promote corporate social responsibility, which is handled by senior management appointed by the Board of Directors, which is reported to the Board of Directors?	V		In 2015, Accton established the "Corporate Sustainability Committee", a unit committed to promoting corporate social responsibility. The President served as the Chairman of the Committee, who is responsible for planning strategies and systems related to corporate social responsibility. Accton established Accton Cultural & Educational Foundation and Accton Art Foundation, which are committed to promoting charity activities with an aim to contribute to the society. Its operation and efficiency are reported to the Board of Directors regularly on a yearly basis. The implementation of the foundation in 2019 has been reported at the Board meeting date March 21, 2019. By the end of 2018, Accton Public Welfare Center has a total of 344 public welfare group members and 300,000 individual members. Through the website, public welfare groups can release information in real time, making the platform a good place for public welfare information; online fundraising can be used through the website, so public interest groups will be able to help more vulnerable people; and the required materials and manpower can be raised through the website. In 2018, the total amount of donation to the public interest groups in Taiwan through the website of Accton Public Welfare Center was NT$51.86 million. The implementation and detailed performance of Accton Cultural & Educational Foundation and Accton Art Foundation can be found after the 2019 Corporate Social Responsibility Report is published.	No discrepancy
III. Environmental Issues (1) Has the Company established environmental management systems appropriate for its industry characteristics?	V		According to the characteristics of the industry, Accton adopts the international ISO 14001 environmental management system. Upholding the business philosophy of respect for life, deeply realizing the importance of the limited and sustainable development of the Earth's resources, Accton implemented the ISO 14001 environmental management system, and completed the revision verification of the environmental management system ISO 14001:2015 in June 2017, and integrated it into the internal management system and production activities, including the interrelationship between process products and the environment.	No discrepancy
(2) Is the Company committed to improving the efficiency of utilizing various resources and using recycled materials with low impacts on the environment?	V		Accton reduces the use of raw and packaging materials as well as related substances through effective management. Accton starts from product design, improvement of energy efficiency and harmful substances and packaging reduction to cooperate with customer, and material and technology suppliers through R&D team and applies innovative thinking to develop more environmentally friendly green products. Waste management policy: Accton identifies and properly disposes waste in accordance with the Waste Disposal Act. All wastes are classified and sorted according to regulations and approved by the government for waste removal, disposal, transportation, treatment and reuse.	No discrepancy

<table>
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<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>Environmental protection and public welfare advance together: after classifying the resource waste, including iron and aluminum cans, plastic bottles, glass bottles, paper, etc., we will cooperate with charity organizations (relief agency) to clean up the recyclables; kitchen waste and waste cooking oil shall be processed and reused jointly by entrustment, so as to effectively protect the environment, recycle and reuse resources and support charity activities of public institutions.</td><td></td></tr>
<tr><td>(3) Has the Company assessed the potential risks and opportunities arising from climate change at present and in the future and taken related countermeasures?</td><td>V</td><td></td><td>Global climate has changed significantly, natural disasters such as floods, droughts, storms and blizzards are frequent, the intensity and influence scope of which are also gradually expanding and imposing significant risks in production reduction and suspension of the operation of enterprises. Therefore, in addition to purchasing relevant asset insurance and establishing an environmental management system that passes ISO14001, Accton has also formulated "Procedures for the Recovery of Suspended Operation", actively controls the manufacturers and customers in the supply chain and establishes relevant emergency response system, so as to quickly respond to disasters and minimize the impact on Accton. Accton considers the product lifecycle, and has always used low-pollution manufacturing and environmentally friendly consumables. In addition to the full adoption of the lead-free manufacturing process, the components of the product not only comply with the RoHS European Union environmental protection standard components, and Accton's products have also obtained RoHS certification, reducing the impact of the production and operation on the environment, as well as in line with international trends and customer expectations.</td><td>No discrepancy</td></tr>
<tr><td>(4) Does the Company calculate the amount of greenhouse gas emission, water consumption, and waste production in the past two years and implement policies to cut down energy and water consumptions, carbon and greenhouse gas emissions, and waste production?</td><td>V</td><td></td><td>1. Accton has established “Environmental Planning Procedures” to collect information of stakeholders and identify risks and opportunities of environmental safety.
In terms of law: Subject to law, Accton does not need to declare for greenhouse gas inspection, but it adheres to the vision of sustainable business, and establishes greenhouse gas inspection system independently, with specific measures as follows:
● Formulate procedures for greenhouse gas inspection
● Complete 2019 annual greenhouse gas inspection
● Formulate greenhouse gas inspection policies
In terms of energy consumption of the product: Accton adds environmental performance requirements to the procurement process, such as Prioritize the purchase of equipment with better environmental performance, including environmental protection label and save water label.
2. The target of greenhouse gas reduction: reduce 1% per Year.
Global climate has changed significantly under the influence of the greenhouse effect, natural disasters such as floods, droughts, storms and blizzards are</td><td>No discrepancy</td></tr>
</table>

Items of Evaluation	Implementation			Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			frequent, the intensity and influence scope of which are also gradually expanding and posing potential risks to the sustainable operation of enterprises. In response, Accton has formulated a greenhouse gas policy and implemented the following measures: ✓ Fully utilize electronic signing and approving procedures to reduce paper usage. ✓ Strictly manage the demands for power, as well as the lighting and air conditioning in idle areas. ✓ Control air-conditioning equipment, and adjust the start-up of main ice and water equipment according to the actual room temperature and production in factory. ✓ Set timing control for the exhaust and ventilation systems in basement. ✓ Change air conditioning and air pressure systems into variable frequency controlled ones. ✓ Plan for and change the LED lighting systems in different areas. ✓ Update the air conditioning equipment with high energy consumption in different areas to increase energy efficiency and reduce loss. ✓ Replace old power systems and cables to reduce energy consumption. 3. Treasure electric energy and water resources Accton reduces environmental impacts by monitoring changes in energy use and implementing energy conservation management. For Accton, outsourcing power is the only important type of energy consumption, which is composed of livelihood power consumption and factory equipment power consumption. Part of office lighting for livelihood has been replaced with energy-saving lamps and bulbs. But the factory service equipment uses energy-saving management. The type of water resources is tap water, 50% for people's livelihood and 50% for air conditioning. In 2019, Accton will continue to replace water-saving faucets and water saving toilets or two-stage flushers to reduce people's water consumption. Through the continuous promotion of various energy conservation management programs and advocacy, Accton hopes that it can more effectively save energy, recycle and utilize various resources, and save the use of electricity, energy and water resources in the future, so as to make contribution to the global climate change.	
V. Social Issues (1) Does the Company formulate relevant management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		The Accton Group believed that trust, passion, courage, cooperation, perfection are the core value of technology and humanity. Employees are the most valuable assets of Accton. With regard to employee recruitment, employment, and development, Accton takes into account the working ability of employees. The recruitment procedures comply with legal standards. Employees with different ethnic groups, religions, skin colors, nationalities, ages, genders, sexual orientation, marital status and political affiliation shall be subject to fair and impartial operating	No discrepancy

Items of Evaluation	Implementation: Yes	Implementation: No	Implementation: Summary	Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
			procedures and shall be treated equally. In addition, Accton ensures the freedom of employment of our employees by not using oppressive and coercive conditions to hire employees. We also adopt ethical treatment, child labor shall not be employed, physical punishment, abuse or coercion shall not be used against our employees. Accton regularly reviews and issues human resource reports and continues to practice the human rights issues of gender, racial equality and multi-ethnic diversity for all employees. Accton has formulated the Social Responsibility Manual by referring to the Responsible Business Alliance (RBA). The purpose of the RBA is to ensure a safe working environment for the supply chain of the electronics and network communications industries as well as take environmental responsibility in the manufacturing process. Accton also adheres to this spirit, including child labor and underage workers, forced labor, health and safety and environment, free association, prohibition of discrimination and inhumane treatment, working hours and other human rights issues norms.	
(2) Has the Company established and offered proper employee benefits (including compensation, leave, and other benefits) and reflected the business performance or results in employee remuneration appropriately?	V		The employees are the most important asset of Accton. Accton believes that talents are important parts of the sustainable operation of an enterprise. Therefore, we are committed to providing our employees with quality jobs, including competitive salaries and benefits, a mature promotion channel and a safe environment, which are in compliance with relevant labor, environmental, safety and health regulations. Accton creates a working atmosphere for continuous learning that is innovation and fun, so as to attract and retain talents and ensure a diverse and inclusive human resource structure. In order to create a quality and mutually beneficial working environment, Accton continues to hold quarterly labor-management meetings and provide diversified feedback systems, including Bulletin Board System (BBS), corporate intranet (AccPortal) and physical mailboxes, to encourage employees to provide suggestions on the operational or management measures, so that the opinions and expectations of junior employees can be directly reflected to senior management, as a reference for continuous improvement and corporate governance. Employee reporting hotline: (03)577-0270, extension: 3119, reporting email: hr885@accton.com.	No discrepancy
(3) Does the Company provide a safe and healthy working environment for employees, and offer safety and health education for employees regularly?	V		1. Accton actively creates healthy and safe working environment, and sets up dedicated safety and health management personnel and, in addition to setting labor safety and health management rules, it actively assesses and controls the various risks of occupational safety and health, and controls the impact of various changes on safety and health. 2. Accton conducts internal audit and third-party verification for ISO 45001 Occupational Safety and Health Management System every year to check the condition of system operation, and continues to make improvement.	No discrepancy

Items of Evaluation	Implementation			Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			3. 13 trainings related to safety and health education and training as well as chemical hazard knowledge, occupational disease prevention and safety awareness and other training for newly enrolled and in-service laborers were held in 2019, with 2,404 participated employees. 35 trainings related to fire response, civil defense training, employee fire drill, gas safety training, overhead operations education training are held in 2019, with 2,028 participated employees. 33 courses related to first-aid, radiation protection, fire management, organic solvent operation supervisor, stacker operator, waste treatment and other licenses were held in 2019, with 78 participated employees. 4. Accton provides fire and urgent drills regularly to improve staff's fire safety knowledge and their ability to handle emergency circumstances. 5. Accton has established a special health management office to provide health service nurses and special occupational disease specialists to offer health services nearby the factory, plan for and carry out health education, promotion and guidance for laborers, prevent and treat work-related injury and diseases, and provide health consultation and first aid and emergency disposal and other services. 6. In 2019, a total of 1,712 people participated in 5 seminars on health examinations, human genetic engineering and health. A total of 73 people participated in three one-on-one consultations on health reports and health education. A total of 602 people participated in inspections, such as children's health clinics, blood glucose testing activities, influenza vaccines, and hepatitis A vaccine activities to provide employees with a healthy body.	
(4) Has the Company established effective career development and training plans for its employees?	V		Accton attaches great importance to the development and training of talents. The items of training provided by Accton are composed of six categories: new employees, specialties, work efficiency, quality, environment safety and management. Accton cultivates internal lecturers actively to create a learning organization culture, sets up exclusive training classroom - "Accton College" for substantive courses, and uses "Online Learning Management System (LMS)" to provide a faster and more convenient learning platform for its staff. Accton attaches great importance to the orientation training of frontline staffs and has established a specialized simulation training center. Accton provides external training and training allowances with the maximum ratio of 100% depending on working needs; In order to improve language competitiveness, in addition to providing each employee with a fixed amount of allowance for foreign language training each year, language courses are held in Accton, so as to assist staff to improve their individual performance at work and team competitiveness. Accton provided 21,242 hours of education and training on related topics in total in 2019.	No discrepancy

Items of Evaluation	Implementation			Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
(5) Has the Company followed relevant laws, regulations and international guidelines for the customer health and safety, customer privacy, and marketing and labeling of its products and services and established related consumer protection policies and grievance procedures?	V		Accton is committed to protecting the health, safety and privacy of its customers. Accton also provides a service contact window and email address on the company website and a channel for customers' questions, complaints and suggestions in the stakeholder section. Accton has assigned personnel to handle such issues immediately to protect customers' interests. In addition, Accton has formulated the "Customer Grievance Management Procedure" to address the issue of customer grievances. Accton will gather all relevant units to discuss and set a time limit to resolve the problem and for customer follow-up until the customer is satisfied before closing the case.	No discrepancy
(6) Has the Company established the supplier management policies requesting suppliers to comply with laws and regulations related to environmental protection, occupational safety and health or labor rights and supervised their compliance?	V		The products manufactured by Accton shall comply with IECQ QC080000 Hazardous Substances Management Requirements. Accton has also developed the QPC-CE05 Control Standards for Accton Hazardous Substances for the supply chain to ensure that the supply chain complies with the relevant international requirements such as ROHS, REACH. In 2019, 240 manufacturers have responded to the relevant reports on hazardous substances and 270 BOMs have been investigated. In addition to the general quality requirements and hazardous materials management requirements, Accton also fulfills CSR. We are in compliance with five major requirements of the RBA Code of Conduct: A. Labor B. Health and Safety C. Environmental D. Ethics E. Management Systems. We have also established the Supplier RBA Audit Regulation (WIC-SC02006 Supplier RBA Audit) to ensure the supply chain also meets the requirements. None of the vendors of Accton has violated the following material regulations in 2019: Labor (1.1) Free Chosen Employment, Labor (2.1) Child Labor Avoidance, Health & Safety (2.1) Emergency Preparedness, whether the plant has proper fire detection and fire extinguisher; Health & Safety (2.2) Emergency Preparedness, whether there are procedures to handle emergency preparedness and assess emergency circumstances and events, and minimize the negative impact of emergency circumstances and events by implementing contingency plans and response processes; Ethics (7.1) Responsible Sourcing of Minerals.	No discrepancy

Items of Evaluation	Implementation			Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
V. Does the Company prepare the Corporate Social Responsibility report to disclose non-financial information in accordance with internationally recognized report preparation standards and guidelines? Has the aforementioned report obtained the assured or verified opinion from a third party?	V		Accton prepared the Corporate Social Responsibility report to disclose non-financial information in accordance with internationally recognized GRI reporting standards. Currently, the report of Accton has not obtained the assured or verified opinion from a third party.	No discrepancy

VI. If the company formulated its own Corporate Social Responsibility Best Practice Principles in accordance with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, please describe its implementation and difference between them:

Accton has established "Corporate Social Responsibility Best Practice Principles". The interests of stakeholders are fully considered and customers are treated in a fair and reasonable manner when fulfilling corporate social responsibility. In addition, suppliers are required to comply with the specifications stated in the supplier social and environmental responsibility agreement. Suppliers are expected to fulfill their corporate social responsibility. The operate of which is the same as the Principles.

VII. Other important information that facilitates the understanding of the fulfillment of corporate social responsibility:

"Accton Culture and Education Foundation" and "Taiwan Public Welfare Service Association" are two major public welfare units of Accton, and they jointly support the establishment of "Accton Public Welfare Center" website (www.17885.com.tw). Leverage on the expertise of Accton in network communications. they assist social welfare groups in Taiwan to conduct online fundraising and campaign publicity, and call upon netizens to provide emergency relief across Taiwan by taking the concept of "Direct Donation-Direct Help" as their foundation. Adhering to the concept of "Every heart of love will be a deeply planted seed, and it will grow into a shade and give back to the people who need more care," Accton hopes that through the participation of the public's love, the society can have a new glimpse of the realm of truth, goodness and beauty, and then form a circle of goodness.

Two major units of social welfare supported by Accton:
Accton Culture and Education Foundation (established in 1999): helps rural and disadvantaged children, Love Breakfast, and the Hope Project of Education.
Taiwan Public Welfare Service Association (established in 2003) assists emergency relief cases across Taiwan - providing online fundraising, application for emergency relief fund, and referral service.

Online platforms where Accton promotes public welfare :
Accton Public Welfare Center(established in 2001) supports public welfare organizations in Taiwan, provides fundraising platforms, information release and publicity channels for public welfare organizations.

Help for Vulnerable Families
Accton Public Welfare Center (www.17885.com.tw) helped 208 difficult families in 2019 in total, with a total assistance amount of NT$2,196,000. Since its establishment in 2001, it has helped 1,559 families in total with a total assistance amount of NT$107,664,020. Accton provides not only a social assistance platform allowing people to make donation online directly, but also a convenient platform for reporting emergencies and difficulties. If you find friends around you are facing difficulties, or you need help, you can seek assistance through the platform. Since establishment, Accton Public Welfare Center has gathered the love from the public and helped more than 1,500 families overcome the deep valley of lifetime, so that they can see the hope when facing the future, and have the opportunity to regain happiness in the future! For vulnerable families in the society, Accton Public Welfare Center mainly provides the following assistance:

1. Living allowance: family in distress due to the main economical supporter of the family suffering emergency disasters, major diseases, or major natural disasters.
2. Medical allowance: The person suffering serious injury or illness, the medical expenses required cannot affordable by him/her or his/her dependents, and the additional medical expenses are not covered by the health insurance bureau or the labor insurance bureau.

Items of Evaluation	Implementation			Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	

3. Funeral allowance: disadvantaged families who suffer from misfortune and are unable to afford funeral expenses.
4. Emergent disaster: major natural or man-made disasters that cause significant damage to the family and affect people's life in a short period of time.

Assisting all public welfare organizations in Taiwan
Accton Public Welfare Center is also a platform for the exchange of public welfare resources. It provides domestic social welfare groups with the power of the Internet to disseminate various social needs and service information, and actively and effectively seek social charity resources, so as to invite enterprises and the public to help the vulnerable and helpless groups together.

By the end of 2019, Accton Public Welfare Center has a total of 355 public welfare group members and 300,000 individual members. Through the website, public welfare groups can release information in real time, making the platform a good place for public welfare information; online fundraising can be used through the website, so public interest groups will be able to help more vulnerable people; and the required materials and manpower can be raised through the website. In order to make the public welfare groups have no burden in terms of using the platform, Accton absorbs all the operating costs of the website by itself, and it hopes to maximize the power of public welfare. In 2019, the total amount of donations to the public interest groups in Taiwan through the website of Accton Public Welfare Center was 20.29 Million.

Accton Culture and Education Foundation
Accton Culture and Education Foundation has been committed to improving the education of disadvantaged children in rural areas for a long time. It is expected to use the power of enterprises to shorten the gap of education resources between rural areas and cities, and through long-term investment and support, and through long-term investment and support, the disadvantaged children from rural areas can have a secure learning environment and have the opportunity to change the future through education.

(1) "Book to Send Hope" Dream Comes True Campaign
Entering the 17th year of the Christmas Dream Comes True Campaign, Accton Culture and Education Foundation changed from collecting Christmas gifts in previous years to inviting teachers and children from rural schools and classrooms to list out the books they want. Employees are invited to find books for children from rural schools. In 2019, Accton assisted Hsinchu Nanai Primary School, Yunlin Ouliao School, Nantou Lutheran Primary School by donating a total of 341 books. Through reading, Accton hopes to expand the imagination of children and increase the possibilities of their future.

(2) Love Breakfast for Hsinchu Primary School
In Hsinchu, at least thousands of children are on the edge of poverty because they are from families with low and middle income, and they cannot obtain the subsidies granted by the government. Since 2014, Accton has gathered the strength of employees within the group and provided Love Breakfast for more than 700 disadvantaged children in primary schools in Hsinchu for one year. In 2019, Accton provided Love Breakfast for 146 children. We believe that giving children a nutritious breakfast and improving their learning concentration can give them a chance to change the future!

(3) Hope Project of Education
Accton Culture and Education Foundation has held the idea of "Accton hopes to change the poverty cycle of indigenous families through education". It jointly launched the "Accton's Hope Project of Education" with Hsinchu Family Support Centre to provide school expenses for secondary school students in Wufeng and Jianshi. In 2019, Accton donated NT$398,300, more than 2,000 students have benefited from the project in the past 13 years, and the donation amount has exceeded 5 Million. Accton's Hope Project of Education is not aimed at students with excellent academic performance but encourages disadvantaged students who work hard to overcome adverse economic conditions to go to school at ease and change the vicious cycle of poverty through education.

(4) Auxiliary Classes for Disadvantaged Children of Pingtung Haikou people's Community
Management Association in Pingtung Haikou people's Community opened auxiliary classes for disadvantaged children. Most of the children are raised by single parents, grandparents, from other places and other factors, the family function is not ideal, in the auxiliary class, teachers guide the children in their lessons as well as give guidance when the children's behavior is poor, so as to avoid prevent children from being led astray by neglect after school. Accton gathers the strength of employees in the group to sponsor and support the meal expenses of the auxiliary classes for a long time. In 2019, Accton donated NT$187,400.

(5) Calls over Ridges
Calls over Ridges is an international non-profit organization from Taiwan. After the earthquake in Nepal in 2015, they have been staying in Nepal for a long time and continued to enhance the educational environment of disadvantaged children in Nepal with the "Educational Planting Project." In the course of the Educational

Items of Evaluation	Implementation			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	

Planting Project, it was found that most students did not eat anything after the breakfast they had before going out in the morning. Therefore, Accton Culture and Education Foundation donated NT$360,000 for a year of nutritious lunch to a public school in Gorkha, Nepal. As a result, 300 children can have nutritious lunch every day, so that they are well fed to be able to concentrate on their studies.

Taiwan Public Welfare Service Association

Taiwan Public Welfare Service Association always upholds the belief of "To the place in need," after the actual visit and confirmation of the demand, it is expected to make up the insufficient resources of social welfare groups or rural schools in the shortest time.

(1) Care for the Disabled

In 2019, in order to provide people with physical and mental disabilities with more appropriate and better care, the Taiwan Public Welfare Service Association donated 1 electric bath bed at the Huaguang Intelligent Development Center, and 10 sickbeds and equipment at the Shiguang Education Center. It is expected that we can begin with medical care and life care to reduce the burden and pressure on families of people with disabilities and hospitals.

(2) Computer donation for children in rural areas

In order to improve the educational resources in the rural areas, Accton donated a total of 26 sets of brand-new computers in 5 classes to Taiwan Hope in Love Children Care Association. Accton hoped to introduce software resources and teachers, which rural areas lack most, through the donation of computer hardware, shortening the educational gap and giving children in rural areas the opportunity to reverse their destiny through education.

(3) Giving Warm in Winter - Hotpot Campaign

In 2019, Taiwan Public Welfare Service Association assisted in organizing a Lunar New Year hotpot campaign for a social welfare organization, donating a total of NT$410,000 to Zenan Homeless Social Welfare Foundation, Dr. Chen Wen-chen Memorial Foundation and Yunlin County Elderly Welfare Protection Association. Taiwan Public Welfare Service Association assisted poor scholars, political victims, unprivileged elderly so that they can also feel the warmth of the society and spend a warm and happy moment in the Lunar New Year.

(4) Assist Poor Children to Grow Up Healthily

To save disadvantaged children from hunger and assist them to grow healthily, Taiwan Public Welfare Service Association donated NT$60,000 for the "Food and Love" project to the Andrew Charity Association, providing disadvantaged children with stable meals and save them from hunger.

(5) Sending Love to Nanhui

In order to strengthen the independence and to support the career needs of the disabled in Nanhui, Taiwan Public Welfare Service Association donated NT$680,000 to Beunen Foundation to support the long-term care service for the disabled in Nanhui. The disabled students were invited to create a large installation art "Accton Tree" for Accton Technology with the concept of "rebirth." Their artwork was displayed in Accton. Employees were invited to enjoy such beautiful corners at all time. In addition, Accton has also made a documentary "Accton Tree on the Nanhui Highway", recording the creating process, with a hope to expose those disabled at the southernmost tip of Nanhui by using the power of the internet and the social platform.

(6) Fulfillment of Ethical Corporate Governance, the Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and Reasons:

Items of Evaluation	Implementation			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
I. Formulation of Ethical Corporate Management Policies and Schemes (1) Has the Company established the ethical	V		Accton formulated “Ethical Corporate Management Best Practice Principles” approved by the Board of Directors and disclosed it on the Market Observation Post System. The Board of Directors and upper management	No discrepancy

Items of Evaluation	Implementation			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the Board of Directors and senior management to rigorous and thorough implementation of such policies?			implemented the commitment about ethical corporate management policy actively, and ethical corporate management policy was indeed implemented in internal management. The rules of procedures of Accton's Board of Directors are aimed to establish a good governance system, improve supervision functions and strengthen management functions.	
(2) Has the Company established a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	V		It is stipulated in Accton's Ethical Corporate Management Best Practice Principles that bribery, provision of illegal political contributions, improper charitable donations or sponsorship, provision or acceptance of unreasonable gifts, hospitality or other improper interests, infringes on business secrets, trademark rights, patent rights, copyrights and other intellectual property rights, engagement in unfair competition, and unethical acts where products and service will directly or indirectly damage the interests, health nad safety of consumers or other stakeholders during R&D, procurement, manufacturing, provision or sales, are prohibited. Accton has taken preventive measures and conducted education and publicity to implement the ethical corporate management policy.	No discrepancy
(3) Has the Company specified in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implemented them and review the prevention programs on a regular basis?	V		Accton specifies clear provisions in the "Code for Ethical Conduct of Employees" and the "Ethical Corporate Management Best Practice Principles", which are implemented and published on Accton's internal website for employees to check at any time, and also advocates core value and compliance with systems by staff through education and other diversified method, and requires staff to assume the important responsibility to maintain high ethical standards, company reputation and compliance. In addition, Accton provides a variety of systems for reporting unethical management. Accton always strictly handles any violation of ethics confirmed and takes severe disciplinary measures against violators, such as termination of employment and taking appropriate legal action.	No discrepancy
II. Implementation of Ethical Corporate Management (1) Does the Company evaluate business partners' ethical records and include	V		When entering into of contracts, Accton should fully understand other party's ethical management status, and include ethical management into the contract terms and, in case of breach thereof, it shall refuse to trade with the	No discrepancy

Items of Evaluation	Implementation			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
ethics-related clauses in contracts entered into with the partners?			party, so as to obtain the most reasonable quotation and the best service and quality. Accton has formulated the "Supplier Code of Conduct" to stipulate ethical principles.	
(2) Has the Company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation and supervision of the ethical corporate management policies and prevention programs against unethical conduct?	V		Accton has formulated "Ethical Corporate Management Best Practice Principles", and established the "Corporate Governance and Ethical Management Committee" to be responsible for promoting ethical management. Accton arranges training for new and existing employees regularly to remind them of important matters during the course of business. Employees can also report to and communicate with the management and human resource department through the company website and internal mailboxes. Accton has established the "Reporting Management Procedures" and has a platform for reporting violations of professional ethics for whistleblowers to report illegal behavior of Accton's employees. The ethical corporate management promotion team then accepts the reporting case, sends it to the senior supervisor of the relevant department for investigation and tracks the final results. The identity of the whistle-blower and the content of the report are mostly kept confidential. The investigation process and results of the case are kept in full records. In 2019, 0 cases were reported and there was no material violation of ethical behavior.	No discrepancy
(3) Has the Company formulated policies to prevent conflicts of interest and provide appropriate communication channels, and implement such policy properly?	V		Accton specifies clear terms and penalty provisions in the "Code of Conduct for Staff" and the "Ethical Corporate Management Best Practice Principles" ; in addition, it provides channels for employees to appeal and make response, so as to implement and promote the Code.	No discrepancy
(4) Has the Company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of the assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit?	V		In order to implement ethical corporate management, Accton has established an effective accounting system and internal control system. The internal auditors have listed high-risk operations as the top priority for auditing of the annual audit plan based on risk assessment to strengthen the preventive measures. The implementation of the audit plan shall be reported to the Board of Directors. In addition, the CPAs will review the implementation of Accton's internal control system every year. According to the results of the internal audit and through the appointment of CPAs, no major violations of ethical corporate management is identified.	No discrepancy
(5) Does the Company regularly provide internal and external education and training about ethical corporate management?	V		Accton has formulated the "Ethical Corporate Management Best Practice Principles", which is disclosed on the company website, published on the internal website and promoted in the education and training for new employees. In 2019, trainings related to employee ethical behavior (including the prohibition of	No discrepancy

Items of Evaluation	Implementation			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			insider trading, ethical corporate management and corporate social responsibility) are provided to 2,482 trainees, with a teaching hour of 0.5 and a total of 1,241 hours. All new employees are expected to comply with such principles. In addition, professional organizations are invited to hold seminars to strengthen Accton's ethical corporate management policy.	
III. Implementation of Whistleblowing System (1) Has the Company established a specific whistleblowing and rewarding system, and establish convenient whistleblowing channels, and appoint appropriate special person to handle the affairs of the reported person?	V		Accton has established a special space for interested parties on its website (https://www.accton.com.tw/interested/), which enables appeals to be made to Accton in case of any infringement upon the rights and interests of shareholders, suppliers and other interested parties; In addition, there are internal and external appeal management systems, in accordance with which appeal may be made in case of any improper, illegal or unreasonable event occurs to any employee. Accton has established “Procedures for Management of the Ethical Conduct of Employees”, which specifies the standards for employee's ethical conduct and encourages reporting any illegal act and violation of ethical code, as well as anti-retaliation protection measures. Employees can report to relevant management and supervision units by email or through special reporting channels or other internal and external appeal channels, and the person of relevant units shall notify Accton’s audit office and other relevant organizations immediately after receiving the report. No material reports in 2019.	No discrepancy
(2) Has the Company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms?	V		Accton clearly defines reporting standards and confidentiality mechanism based on the “Rules for Awarding Employee’s Ethical Conduct”. Employees who report a violation of ethical principles or fraud and participate in the investigation process will be kept confidential and protected from unfair retaliation or treatment. The acceptance, investigation process and results of the report shall be recorded and maintained. No such circumstances in 2019.	No discrepancy
(3) Does the Company take measures to protect the reporter from such improper disciplinary action as arising from whistleblowing?	V		According to whistleblowing rules, Accton will keep reporters in confidential and protect them from such disciplinary action as resulting from whistleblowing. For employees who report violation of ethical norms or fraud and participate in the investigation process, Accton will keep it in confidential strictly and protect the employees from unfair retaliation or treatment. Please refer to “Procedures for Management of the Ethical Conduct of Employees” for details.	No discrepancy
IV. Enhancing Disclosure of Information Does the Company disclose its ethical corporate management policies and the results of its implementation on the company website and MOPS?	V		Accton discloses corporate social responsibility, ethical management and management policies and other information on its website. In addition, Accton sets dedicated department to be responsible for collecting and publishing its various information, sets up spokesperson, holds corporate description meeting for stating Accton’s business conditions and operation results, and uploads	No discrepancy

Items of Evaluation	Implementation			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
			the video and audio files for the meeting to Accton's website and the Market Observation Post System for checking purpose.	

V. If the Company formulated its own Ethical Corporate Management Best Practice Principles in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, please describe its implementation and difference between them:

Accton has formulated "Ethical Corporate Management Best Practice Principles", and all employees, managers and members of the Board of Directors must observe the Principles and follow its implementation. The third amendment of the Principles was resolved at the Board meeting on March 19, 2019, without any difference of implementation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies.

VI. Other important information that facilitates the understanding of the implementation of ethical corporate management (such as review and amendment of Accton's Ethical Corporate Management Best Practice Principles):

1. Accton complies with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, the relevant regulations for TWSE/TPEx listed companies and other laws and regulations related to commercial conduct, as the basic principles for implementing ethical management.
2. The provisions about recusal from voting due to conflict of interests are specified in Accton's "Rules of Procedures of the Board of Directors." The provisions about recusal from voting due to conflict of interests are specified in Accton's "Rules of Procedures of the Board of Directors" that the person who is interested in the resolution discussed at the meeting of Board of Directors in terms of itself or its legal representative and thus whose statement, opinions and answer will be harmful to Accton shall not participate in the discussion of and voting on such resolution, and shall avoid the discussion and voting, and shall not exercise the right to vote on behalf of other directors. that the person who is interested in the resolution discussed at the meeting of Board of Directors in terms of itself or its legal representative and thus whose statement, opinions and answer will be harmful to Accton shall not participate in the discussion of and voting on such resolution, and shall avoid the discussion and voting, and shall not exercise the right to vote on behalf of other directors.
3. It is specified, in Accton's "Measures for Preventing Transaction from being made in the Internal", that its directors, supervisors, managers, employees and consultants shall not consult or collect any internal significant information un-related to its duties and not disclosed by Accton from the person who knows the same, and shall not disclose any internal significant information of Accton except for business needs. In 2019, trainings related to employee ethical behavior (including the prohibition of insider trading, ethical corporate management and corporate social responsibility) are provided to 2,482 trainees, with a teaching hour of 0.5 and a total of 1,241 hours. All new employees are expected to comply with such principles.
4. Accton conducts self-assessment for all departments every year, makes cooperation in organization and environment changes if appropriate, and examines the appropriateness of internal control system and that whether employees actually perform in accordance with relevant regulations, so as to ensure the effective implementation of Accton's internal control system.

(7) If the company has formulated corporate governance rules and related regulations, it shall disclose the method for checking that:

The company has formulated "Ethical Corporate Management Best Practice Principles for Accton Technology Corporation"， "Corporate Governance Best Practice Principles for Accton Technology Corporation", "Corporate Social Responsibility Best Practice Principles for Accton Technology Corporation" and "Code for Ethical Conduct of Employees or Accton Technology Corporation" and other relevant regulations to implement and promote corporate governance, which are published on the Market Observation Post System and the company's website (www.accton.com), and linked to investor relation or corporate governance page for checking.

(8) Other important information that facilitate the understanding of the corporate governance of the Company, which shall be disclosed further:

Accton has established the "Procedures of Accton Technology Corporation for Processing Internal Significant Information" to establish a good mechanism for processing and disclosure of internal significant information for the company and avoid improper disclosure of information, so as to ensure the consistency and accuracy of Accton's information to be published by the company to the external, and that internal significant information is processed and disclosed in accordance with relevant laws, orders and the provisions of Taiwan Stock Exchange and this operating procedures.

(9) Implementation of Internal Control System

1. Internal Control Statement

Accton Technology Corporation

Statement about Internal Control System

Date: March 19, 2020

For Accton's 2018 internal control system, it is stated as follows according to self-assessment results:

I. Accton acknowledges that it is the responsibility of its Board of Directors and managers to establish, implement and maintain internal control system, and Accton has formulated the system. Our internal control is a process designed to provide reasonable assurance for the effectiveness and efficiency of our operation (including profitability, performance and safeguarding of assets), reliability, timeliness and transparency of our reporting, and compliance with relevant rulings, laws and regulations.

II. There are inherent restrictions on internal control system, no matter how to improve its design, and effective internal control system can only provide reasonable assurance for the achievement of the above three objectives; and effectiveness of internal control system may change due to changes in environment and conditions. Self-monitoring mechanism is formulated for Accton's internal control system only and, once loss or omission is recognized, Accton will take corrective action.

III. Accton judges that whether the design and implementation of internal control system are effective based on the items for judging the effectiveness of internal control system as specified in the "Guidelines for Establishment of Internal Control System for Public Offering Companies" (hereinafter referred to as "Guidelines"). Internal control system is composed of five parts, i.e. 1. control environment, 2. risk assessment, 3. control operation, 4. information and communication, and 5. supervision, based on management and control course, according to the items for judging the effectiveness of internal control system specified in the Guidelines. Each part includes several items. Please refer to the "Guidelines" for the aforementioned items.

IV. Accton has adopted the above judgment items for internal control system to evaluate the effectiveness of design and implementation of internal control system.

V. Based on the results of previous assessment, Accton believes that the design and implementation of its relevant internal control system as of December 31, 2019 (including supervision and management of subsidiaries) are effective, including the system according to which the effectiveness, efficiency and target achievement degree of operation, reliability, timeliness and transparency of reporting and compliance with relevant rulings, laws and regulations are understood, and can provide reasonable assurance for the achievement of the said targets.

VI. This statement will provide the main contents of Accton's annual report and public statement, and will be made available to the public. Any falsehood, concealment or other illegality in the contents made available to the public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.

VII. This statement has been approved by Accton's Board of Directors on March 19, 2020, and out of the 9 members of the Board of Directors in attendance, none had objected to it and all consented to the contents expressed in this statement.

Kuo, Fai-Long,
Chairman of the Board

Fai-Long Kuo

Lee, Chih-Chiang,
President

CC Lee

2. Review on Internal Control System by CPAs: None

(10) Punishment imposed on the Company and its internal personnel in accordance with law, penalty imposed by the Company on its employees for violation of internal control system and main omission and improvement in the past fiscal year and as of the date of publication of the Annual Report: None.

(11) Key resolutions adopted by the Shareholders' Meeting and the Board of Directors in the most recent fiscal year up to the date of publication of the Annual Report

1. Regular meeting of Board of Shareholders

Date of Meeting	Important Resolution Summary	Implementation
2019.06.13	1. Recognition of Accton's 2018 annual business report and financial statements	455,273,481 affirmative votes (including 339,425,807 votes made electronically), accounting for 88.92% of the total votes and exceeding the statutory amount, thus, it is passed.
	2. Recognition of Accton's 2018 profit distribution	459,996,479 affirmative votes (including 344,148,805 votes made electronically), accounting for 89.84% of the total votes and exceeding the statutory amount, thus, it is passed. Base interest rate date: July 17, 2019. Cash dividend distribution date: July 31, 2019. Cash dividends were distributed in the amount of NT$3.9984 per share.
	3. Discussion on the amendment to Accton's Procedures Governing the Acquisition or Disposition of Assets.	459,995,977 affirmative votes (including 344,148,303 votes made electronically), accounting for 89.84% of the total votes and exceeding the statutory amount, thus, it is passed. The amended Procedures has been published on Accton's website.
	4. Discussion on the amendment to Accton's Operational Procedures for Lending Funds to Other Parties.	459,996,203 affirmative votes (including 344,148,529 votes made electronically), accounting for 89.84% of the total votes and exceeding the statutory amount, thus, it is passed. The amended Procedures has been published on Accton's website.
	5. Discussion on the amendments to Accton's Procedures for Endorsement and Guarantee.	459,996,340 affirmative votes (including 344,148,666 votes made electronically), accounting for 89.84% of the total votes and exceeding the statutory amount, thus, it is passed. The amended Procedures has been published on Accton's website.

2. Meeting of Board of Directors

Date	Meeting of Board of Directors	Important Resolution
2019.03.01	The 4th session of the 11th term of the Board of Directors	• The resolution on the base date for the issuance of new shares subscribed by employees by warrants in the 4th quarter of 2018 was passed. • Accton's 2018 business report and individual and consolidated financial statements were passed, and it is proposed to recognize the same. • The resolution on distribution of employee bonus, Remuneration of Directors and Supervisors in 2018 was passed. • 2018 profit distribution was passed. • 2018 "Assessment on the Effectiveness of Internal Control System" and "Statement about Internal Control System" was passed. • Business plan for 2019 was passed. • The resolution on convening 2019 regular meeting of Board of Shareholders for Accton was passed. • The issues related to shareholder's right to make proposals at the regular meeting of Board of Shareholders were passed. • The resolution on the amendment to the "Procedures for Acquisition or Disposal of Assets" was passed.

Date	Meeting of Board of Directors	Important Resolution
		• The resolution on the amendment to the "Procedures for Lending Funds to Others for Operation" and the "Procedures for Endorsing on Guarantee" was passed. • The resolution on NT1,076,000 of donation to Accton Culture and Education Foundation in 2019 was passed. • The resolution on NT420,000 of donation to Accton Art Foundation in 2019 was passed. • The resolution on evaluation on the independence of Accton's CPAs was passed. • The resolution on application for renewal of comprehensive credit line granted by current transacting banks was passed. • The resolution on application to Mega International Commercial Bank for medium term credit line was passed. • The resolution on application to Chang Hwa Bank for medium term credit line was passed.
2019.05.09	The 5th session of the 11th term of the Board of Directors	• The resolution on the base date for the issuance of new shares subscribed by employees by warrants in the 1st quarter of 2019 was passed. • The resolution on the provision of endorsements/guarantees for Accton Technology Co., Ltd., a wholly-owned subsidiary of Accton, was passed. • The formulation of the "Standard Operating Procedures for Requests Filed by Directors" was passed.
2019.06.13	The 6th session of the 11th term of the Board of Directors	• The resolution on the determination of the ex-dividend date for the distribution of cash dividends was passed. • The resolution on the change of R&D supervisor was passed.
2019.08.08	The7th session of the 11th term of the Board of Directors	• The resolution on the base date for the issuance of new shares subscribed by employees by warrants in the 2nd quarter of 2019 was passed. • The resolution on application for renewal of comprehensive credit line granted by current transacting banks was passed.
2019.11.12	The 8th session of the 11th term of the Board of Directors	• The resolution on the base date for the issuance of new shares subscribed by employees by warrants in the 3rd quarter of 2019 was passed. • The audit plan for 2020 was passed. • The resolution on the change of chairman was passed. • The resolution on the purchase of equipment due to business growth was passed. • The resolution on the application for comprehensive credit line granted by the transacting banks was passed. • The resolution on the application for financing limit granted by CITI Bank was passed.
2019.12.20	The 9th session of the 11th term of the Board of Directors	• The resolution on the change of the chief auditor was passed. • The resolution on the application for comprehensive credit line granted by the transacting banks was passed. • The resolution on the application for short-term credit line granted by Bank of China was passed. • The resolution of the building of testing building at theZhunan Science Park in response to the R&D and testing needs was passed.
2020.02.24	The 1st session of the 11th extraordinary meeting of the Board of Directors	• The resolution on the change of R&D supervisor was passed.
2020.03.19	The 10th session of the 11th term of the Board of Directors	• The resolution on the base date for the issuance of new shares subscribed by employees by warrants in the 4th quarter of 2019 was passed. • Accton's 2019 business report and individual and consolidated financial statements were passed, and it is proposed to recognize the same. • The resolution on distribution of employee bonus, Remuneration of Directors and Supervisors in 2019 was passed. • 2019 profit distribution was passed.

Date	Meeting of Board of Directors	Important Resolution
		• 2019 "Assessment on the Effectiveness of Internal Control System" and "Statement about Internal Control System" was passed. • Business plan for 2020 was passed. • The resolution on convening 2020 regular meeting of Board of Shareholders for Accton was passed. • The issues related to shareholder's right to make proposals at the general shareholders meeting were passed. • The resolution on the amendment to Acctons's "Ethical Corporate Management Best Practice Principles" was passed. • The amendments to the "Board of Director Meeting Procedure" and "Organizational Rules of the Audit Committee" of Accton was passed. • The resolution on evaluation on the independence of Accton's CPAs was passed. • The resolution on the application for comprehensive credit line granted by the transacting banks was passed.

(12) The main contents of any different opinions of directors or supervisors against the important resolutions passed in the meeting of the Board of Directors which recorded or stated in written in the past fiscal year and as of the date of publication of the Annual Report: None.

(13) Resignation and dismissal of the Company's Chairman of the Board, President, Accounting Managers, Financial Managers, Internal Audit Managers, and R&D Managers in the most recent year and as of the date of publication of the Annual Report:

Job Title	Name	Date of Appointment	Date of Dismissal	Reason for Resignation or Dismissal
Research and Development Officer	Yu, Ji-Hsiang	2015.02.04	2019.06.13	Position adjustment
Internal Audit Officer	Chen,Wen-Shan	2012.08.27	2019.11.29	Resignation
President	Lee, Chih-Chiang	2017.03.21	2020.04.10	Resignation

V. CPA Service Fee:

Unit of Amount: NT$ Thousand

Accounting Firm Name	Name of CPA	Audit Fees	Non-Audit Fees					Audit Period	Remark
			System Design	Registration with Administration for Industry and Commerce	Human Resource	Others	Sub-total		
Deloitte & Touche	Lin, Cheng-Chih Huang,Yu-Feng	8,651	-	-	-	900	900	January 1, 2019 to December 31, 2019	Non-audit fees - others: income tax service fee

If any following condition occurs to Accton, it should disclose CPA service fees:

(1) Where the non-audit fees paid to CPAs, CPA firm and its affiliates were more than one fourth of audit fees, the amount of audit and non-audit fees and the contents of non-audit services shall be disclosed: N/A.

(2) Where the CPA firm was replaced, and the audit fees paid in the fiscal year, when the replacement was made, were less than that in the previous fiscal year before replacement, the amount of audit fees paid before/after replacement and reasons for paying this amount shall be disclosed: N/A.

(3) Where accounting fee paid for the year was more than 10% less than that of the previous year, the amount, proportion and cause of the reduction shall be disclosed: N/A.

VI. CPA change information: Where Accton changed CPA during the last two years and the period after that, the following matters shall be disclosed: None

VII. The Company's Chairman of the Board, President, or any managerial officer in charge of finance or accounting operations who has, in the most recent year, held a position at the accounting firm of its CPA or its related companies: None.

VIII. Evaluation on the Independence of CPAs

The items for Accton to evaluate the independence of CPAs are as follows, which were reviewed and approved by the Board of Directors on March 19, 2020.

Items of Evaluation	Results of Evaluation	Compliance with Independence
1.Has Accton obtained the declaration of independence issued by the CPAs?	Compliance with regulations	Yes
2.Does stock affairs service unit confirms that the CPAs do not hold any share of Accton?	Compliance with regulations	Yes
3.Does the CPA does not hold any position at Accton in the most recent year?	Compliance with regulations	Yes
4.Accton's Chairman of the Board, President, or any managerial officer in charge of finance or accounting operations who has, in the most recent year, held a position at the accounting firm of its CPA or its related companies	Compliance with regulations	Yes
5.Does the Company evaluate the independence of CPAs regularly?	Compliance with regulations	Yes

IX. Conditions of share transfer and changes in equity pledge from Directors, Supervisors, managers, and shareholders who hold more than 10% of shares, in past years and as of the date of publication of the Annual Report

(1) Change in the equities of Directors, Supervisors, managers and major shareholders

Job Title	Name	2019		As of March 31, 2020	
		Number of Increased (Decreased) Shares Held	Number of Increased (Decreased) Shares Held	Number of Increased (Decreased) Shares Held	Number of Increased (Decreased) Shares Held
Director	Kuan Xin Investment Corp.	—	—	—	—
Chairman of the Board	Representative of Kuan Xin Investment Corp.： Kuo, Fai-Long	(330,000)	—	—	—
Director (Note 1)	Representative of Kuan Xin Investment Corp.： Lin, Meen-Ron	—	—	—	—
Director	Ting Sing Co., Ltd.	—	—	—	—
Director	Representative of Ting Sing Co., Ltd.: Du, Heng-Yi	420,000	—	—	—
Director	Huang, Kuo-Hsiu	—	—	—	—
Independent Director	Liu, Chung Laung	—	—	—	—
Independent Director	Chang, Chih-Ping	—	—	—	—
Independent Director	Chen, Shuh	—	—	—	—
Independent Director	Lin, Shiou-Ling	—	—	—	—
Independent Director	Chen, Wei-Zen	—	—	—	—
CEO and General Manager (Note 2)	Edgar Masri	—	—	—	—
General Manager (Note 3)	Lee,Chih-Chiang	(250,000)	—	100,000	—
Senior Vice President	Yu, Ji-Hsiang	(923,000)	—	—	—
Senior Vice President (Note 4)	Chiu, Kuo-Tai	(459,000)	—	—	—
CFO (Note 1)	Lin, Meen-Ron	—	—	—	—
Vice President	Liew, Hin-Soon	(126,000)	—	—	—
Vice President (Note 5)	Wang, Ching-Te	—	—	—	—
Senior Vice President of Research and Development (Note 6)	Li, Kuan-Tse	—	—	—	—
New Technology R&D Vice President (Note 7)	Michael Lane	—	—	—	—

Note 1: Ms. Lin, Meen-Ron, the corporate representative of Director and CFO, has 555,000 shares under trust with discretion reserved.

Note 2: Mr. Edgar Masri served as the CEO on November 12, 2019 and concurrently served as the General Manager on April 10, 2020.

Note 3: Mr. Lee, Chih-Chiang resigned as the General Manager on April 10, 2020.

Note 4: Mr. Chiu, Kuo-Tai resigned as the Senior Vice President on July 1, 2019.

Note 5: Mr. Wang, Ching-Te served as the Vice President on July 2, 2019.

Note 6: Mr. Li, Kuan-Tse served as the Senior Vice President of R&D on February 24, 2020.

Note 7: Mr. Michael Lane served as the Vice President of New Technology R&D on June 13, 2019.

(2) Transfer of equity: N/A

(3) Pledge of equity: The counterparties of equity pledge are not related parties, thus it is not applicable.

X. Shareholders ranked at top ten in terms of shareholding ratio, who are related to each other or have spouse or a relative relation within the second degree of kinship with each other:

Name	Shares Held in Person		Shares Held By Spouse and Minor Children		Holding Shares in Other's Name		Name or relation of the shareholders ranked at top ten in terms of shareholding ratio who have relationship specified in Financial Accounting Standards-No. 6 or have spouse or a relative relation within the second degree of kinship with each other.		Remark
	Number of Shares	Share-Holding Ratio	Number of Shares	Share-Holding Ratio	Number of Shares	Share-Holding Ratio	Title (or Name)	Relation	
Golden Tengis Co., Ltd. Chairman of the Board: Huang Kuo-Hsiu	45,113,765	8.08%	—	—	—	—	—	—	
Hermes Global Emerging Market Fund Investment Account subordinate to Hermes Investment Fund Corporation under the custody of Bank of Taiwan	14,193,000	2.54%	—	—	—	—	—	—	
Cathay Investment Special Account was fully entrusted for the New Labor Pension Fund at the 2nd meeting in 2018	13,547,500	2.43%	—	—	—	—	—	—	
Cathay Life Insurance Co., Ltd. Chairman of the Board: Tsai Ming-Hsing	13,117,000	2.35%	—	—	—	—	—	—	
Investment Account of SUNNY RISE INVESTMENT LIMITED under the custody of Bank SinoPac	12,983,664	2.32%	—	—	—	—	—	—	
Investment Account of Norges Bank under the custody of Chase	10,314,923	1.85%	—	—	—	—	—	—	
Series Fund Vanguard Total International Stock Index Fund Investment Account of Vanguard Star Funds under the custody of Taipei Branch, JP Morgan Chase Bank	9,329,436	1.67%	—	—	—	—	—	—	
Investment Account for Credit Suisse under the custody of Standard Chartered Bank (Taiwan) Ltd.	8,191,000	1.47%	—	—	—	—	—	—	
Vanguard Emerging Markets Stock Index Fund Investment Account of Vanguard Group Manager under the custody of Taipei Branch, JP Morgan Chase Bank	7,808,610	1.40%	—	—	—	—	—	—	
Wang, Yung-Shun	7,704,719	1.38%							

XI. The number of shares held by the company, the company's directors, supervisors and managers as well as the businesses directly or indirectly controlled by the company in the same one investment business, and the consolidated comprehensive shareholding ration

Unit: Shares; %

Name of Investee	Investment by Accton		Investments of Directors, Supervisors, Managers and directly or indirectly controlled businesses		Comprehensive Investment	
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio
Accton Logistics Corporation	1,000	100.00%	0	0.00%	1,000	100.00%
Accton Technology Corporation USA	2,198,510	100.00%	0	0.00%	2,198,510	100.00%
SMC Networks,Inc.	24,149,000	100.00%	0	0.00%	24,149,000	100.00%
Accton Century Holding (BVI) Co. Ltd.	51,973,171	100.00%	0	0.00%	51,973,171	100.00%
Accton Asia Investments Corporation (BVI)	0	0.00%	42,105,684	100.00%	42,105,684	100.00%
Joy Technology (Shenzhen) Corporation	0	0.00%	0	100.00%	0	100.00%
Accton Technology Corporation (China) Co., Ltd.	6,600,000	100.00%	0	0.00%	6,600,000	100.00%
Accton Technology Co., Ltd.	0	0.00%	0	100.00%	0	100.00%
Accton Investment Corporation (BVI)	1,004,296	100.00%	0	0.00%	1,004,296	100.00%
Nocsys Inc.	1	100.00%	0	0.00%	1	100.00%
Edgecore USA Corporation	10,000	100.00%	0	0.00%	10,000	100.00%
Edgecore Networks Corp.	50,000,000	100.00%	0	0.00%	50,000,000	100.00%
Horwood limited	0	0.00%	2,000,000	100.00%	2,000,000	100.00%
Edgecore Networks Singapore Pte Ltd.	0	0.00%	3,556,900	100.00%	3,556,900	100.00%
Accton Technology Vietnam Company Limited	0	0.00%	0	100.00%	0	100.00%
Edgecore Cayman Corporation	0	0.00%	1,000,000	100.00%	1,000,000	100.00%
Edgecore Americas Networking Corporation	0	0.00%	0	100.00%	0	100.00%
ATAN NetworKs Co., Ltd. (Shanghai)	0	0.00%	0	100.00%	0	100.00%
Metalligence Technology Corp.	4,640,717	100.00%	0	0.00%	4,640,717	100.00%
4IPNET, Inc.	7,840,084	98.00%	0	0.00%	7,840,084	98.00%
E-Direct Corp.	3,851,910	100.00%	0	0.00%	3,851,910	100.00%

IV. Funding Status

I. Capital & Shares

(1) Source of Capital

1. Type of Shares:

Type of Shares	Authorized Capital			Remarks
	Outstanding Shares	Unissued Shares	Total	
Ordinary share	558,051,397 (listed)	321,948,603	880,000,000	

2. Formation of capital stock:

Unit: NT$ Thousand

Year Month	Issued Price	Authorized Capital		Paid-in Capital		Remark			
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital		Equity offset by properties other than cash	Others
1988.02	10	3,000,000	30,000,000	3,000,000	30,000,000	Establishment		—	—
1989.06	10	12,150,000	121,500,000	12,150,000	121,500,000	Cash Increase		—	—
1989.06	10	13,650,000	136,500,000	13,650,000	136,500,000	Technology Shares		Technology price 15,000,000	—
1989.12	10	19,950,000	199,500,000	19,950,000	199,500,000	Cash Increase	63,000,000	—	—
1991.03	10	39,950,000	399,500,000	24,950,000	249,500,000	Cash Increase	50,000,000	—	1990.11.05 (79) TCZ No. 03008
1993.07	10	39,950,000	399,500,000	30,450,000	304,500,000	Capital transferred from surplus reserve Capital transferred from capital surplus	35,681,450 19,318,550	—	1993.06.14 (82) TCZ No. 01410
1995.01	10	39,950,000	399,500,000	35,400,000	354,000,000	Capital transferred from surplus reserve Capital transferred from capital surplus	25,140,000 24,360,000	—	1995.01.04 (84) TCZ No. 52849
1995.10	10	55,862,000	558,620,000	55,862,000	558,620,000	Capital transferred from surplus reserve Capital transferred from capital surplus Cash increase	112,000,000 10,620,000 82,000,000	—	1995.07.13 (84) TCZ No. 36923
1996.09	10	111,617,750	1,116,177,500	71,177,500	711,775,000	Capital transferred from surplus reserve Capital transferred from capital surplus	97,293,000 55,862,000	—	1996.07.03 (85) TCZ No. 41302
1997.03	10	111,617,750	1,116,177,500	95,177,500	951,775,000	Issuance of overseas depository receipts by cash increase	240,000,000	—	1997.01.23 (86) TCZ No. 75743
1997.07	10	180,000,000	1,800,000,000	132,951,025	1,329,510,250	Capital transferred from surplus reserve Capital transferred from capital surplus	301,593,250 76,142,000	—	1997.06.12 (86) TCZ No. 46577
1998.06	10	240,000,000	2,400,000,000	201,606,933	2,016,069,330	Capital transferred from surplus reserve Capital transferred from capital surplus Cash increase	296,960,500 139,598,580 250,000,000	—	1998.06.08 (87) TCZ No. 49990 1998.06.15 (87) TCZ No. 49986

Year Month	Issued Price	Authorized Capital		Paid-in Capital		Remark			
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital		Equity offset by properties other than cash	Others
1999.08	10	310,000,000	3,100,000,000	234,682,173	2,346,821,730	Capital transferred from surplus reserve Capital transferred from capital surplus	179,547,200 151,205,200	—	1999.07.08 (88) TCZ No. 62155
2000.06	10	380,000,000	3,800,000,000	297,590,758	2,975,907,580	Capital transferred from surplus reserve Capital transferred from capital surplus Equity certificates transferred from bonds	402,920,650 129,075,200 97,090,000	—	2000.05.24 (89) TCZ No. 44619
2000.11	10	380,000,000	3,800,000,000	300,986,736	3,009,867,360	Equity certificates transferred from bonds	33,959,780	—	—
2001.06	10	580,000,000	5,800,000,000	371,043,836	3,710,438,360	Capital transferred from surplus reserve Capital transferred from capital surplus	625,324,400 75,246,600	—	2001.04.27 (90) TCZ No. 122062
2001.11	10	580,000,000	5,800,000,000	371,046,367	3,710,463,670	Equity certificates transferred from bonds	25,310	—	—
2001.12	10	580,000,000	5,800,000,000	376,236,957	3,762,369,570	Issuance of new shares for increase in capital due to merger with Hexiang	51,905,900	—	2001.11.13 (90) TCZ No. 166961
2002.01	10	580,000,000	5,800,000,000	409,497,883	4,094,978,830	Equity certificates transferred from bonds	332,609,260	—	—
2002.03	10	580,000,000	5,800,000,000	444,702,909	4,447,029,090	Equity certificates transferred from bonds	352,050,260	—	—
2002.08	10	880,000,000	8,800,000,000	568,136,110	5,681,361,100	Capital transferred from surplus reserve Equity certificates transferred from bonds	1,189,108,700 45,223,310	—	TCZYZ No. 0910132765 Document
2002.11	10	880,000,000	8,800,000,000	569,033,533	5,690,335,330	Equity certificates transferred from bonds	8,974,230	—	—
2003.01	10	880,000,000	8,800,000,000	569,043,148	5,690,431,480	Equity certificates transferred from bonds	96,150	—	—
2003.04	10	880,000,000	8,800,000,000	560,743,148	5,607,431,480	Decrease in capital by treasury stock	83,000,000	—	TCZYZ No. 0920104339 Document
2003.05	10	880,000,000	8,800,000,000	535,745,148	5,357,451,480	Decrease in capital by treasury stock	249,980,000	—	TCZYZ No. 0920114266 Document
2003.07	10	880,000,000	8,800,000,000	597,932,528	5,979,325,280	Capital transferred from surplus reserve Capital transferred from capital surplus	405,366,600 216,507,200	—	TCZYZ No. 0920121593 Document
2003.07	10	880,000,000	8,800,000,000	584,585,528	5,845,855,280	Decrease in capital by treasury stock	133,470,000	—	TCZYZ No. 0920129797 Document
2007.01	10	880,000,000	8,800,000,000	547,382,528	5,473,825,280	Decrease in capital by treasury stock	37,203,000	—	2007.01.18 YSZ No. 0960001184 Document
2007.02	10	880,000,000	8,800,000,000	544,585,528	5,445,855,280	Decrease in capital by treasury stock	2,797,000	—	2007.02.16 YSZ No.0960004129 Document

Year Month	Issued Price	Authorized Capital		Paid-in Capital		Remark			
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital		Equity offset by properties other than cash	Others
2007.11	10	880,000,000	8,800,000,000	544,514,109	5,445,141,090	Decrease in capital by treasury stock	71,419	—	2007.11.15 YSZ No. 0960030925 Document
2009.04	10	880,000,000	8,800,000,000	543,494,109	5,434,941,090	Decrease in capital by treasury stock	1,020,000	—	2009.04.13 YSZ No. 0980009916 Document
2009.12	10	880,000,000	8,800,000,000	505,019,109	5,050,191,090	Decrease in capital by treasury stock	38,475,000	—	2009.12.22 YSZ No. 0980035596 Document
2010.04	10	880,000,000	8,800,000,000	498,924,109	4,989,241,090	Decrease in capital by treasury stock	6,095,000	—	2010.04.07 YSZ No. 0990008413 Document
2010.09	10	880,000,000	8,800,000,000	500,745,109	5,007,451,090	Shares transferred from warrants	18,210,000	—	2010.09.15 YSZ No. 0990027156 Document
2010.11	10	880,000,000	8,800,000,000	502,513,609	5,025,136,090	Shares transferred from warrants	17,685,000	—	2010.11.17 YSZ No. 0990034260 Document
2011.03	10	880,000,000	8,800,000,000	504,181,109	5,041,811,090	Shares transferred from warrants	16,675,000	—	2011.03.23 YSZ No. 1000007497 Document
2011.05	10	880,000,000	8,800,000,000	504,532,609	5,045,326,090	Shares transferred from warrants	3,515,000	—	2011.05.20 YSZ No. 1000014152 Document
2011.08	10	880,000,000	8,800,000,000	507,107,609	5,071,076,090	Shares transferred from warrants	25,750,000	—	2011.08.02 YSZ No. 1000022525 Document
2011.08	10	880,000,000	8,800,000,000	525,258,128	5,252,581,280	Capital transferred from surplus reserve	181,505,190	—	2011.07.04 JGZFZ No. 1000030591
2011.11	10	880,000,000	8,800,000,000	526,186,128	5,261,861,280	Shares transferred from warrants	9,280,000	—	2011.11.29 YSZ No. 1000035448 Document
2011.12	10	880,000,000	8,800,000,000	520,646,128	5,206,461,280	Decrease in capital by treasury stock	55,400,000	—	2011.12.30 YSZ No. 1000039370 Document
2012.03	10	880,000,000	8,800,000,000	520,751,128	5,207,511,280	Shares transferred from warrants	1,050,000	—	2012.03.23 YSZ No. 1010008702 Document
2012.06	10	880,000,000	8,800,000,000	522,009,897	5,220,098,970	Shares transferred from warrants	12,587,690	—	2012.06.15 YSZ No. 1010017670 Document
2012.09	10	880,000,000	8,800,000,000	522,076,897	5,220,768,970	Shares transferred from warrants	670,000	—	2012.09.05 YSZ No. 1010027872 Document
2012.11	10	880,000,000	8,800,000,000	523,718,397	5,237,183,970	Shares transferred from warrants	16,415,000	—	2012.11.16 YSZ No. 1010035443 Document

Year Month	Issued Price	Authorized Capital		Paid-in Capital		Remark			
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital		Equity offset by properties other than cash	Others
2013.03	10	880,000,000	8,800,000,000	524,177,397	5,241,773,970	Shares transferred from warrants	4,590,000	—	2013.03.29 YSZ No. 1020009282 Document
2013.05	10	880,000,000	8,800,000,000	524,807,397	5,248,073,970	Shares transferred from warrants	6,300,000	—	2013.05.31 YSZ No. 1020015773 Document
2013.08	10	880,000,000	8,800,000,000	526,290,397	5,262,903,970	Shares transferred from warrants	14,830,000	—	2013.08.26 YSZ No. 1020025519 Document
2013.11	10	880,000,000	8,800,000,000	529,200,897	5,292,008,970	Shares transferred from warrants	29,105,000	—	2013.11.28 YSZ No. 1020036336 Document
2014.03	10	880,000,000	8,800,000,000	530,061,897	5,300,618,970	Shares transferred from warrants	8,610,000	—	2014.03.26 YSZ No. 1030008544 Document
2014.05	10	880,000,000	8,800,000,000	531,007,897	5,310,078,970	Shares transferred from warrants	9,460,000	—	2014.05.20 ZSZ No. 1030014363 Document
2014.08	10	880,000,000	8,800,000,000	531,849,897	5,318,498,970	Shares transferred from warrants	8,420,000	—	2014.08.15 ZSZ No. 1030024015 Document
2014.11	10	880,000,000	8,800,000,000	533,360,397	5,333,603,970	Shares transferred from warrants	15,105,000	—	2014.11.25 ZSZ No. 1030034487 Document
2015.03	10	880,000,000	8,800,000,000	534,080,397	5,340,803,970	Shares transferred from warrants	7,200,000	—	2015.03.10 ZSZ No. 1040006291 Document
2015.05	10	880,000,000	8,800,000,000	534,287,897	5,342,878,970	Shares transferred from warrants	2,075,000	—	2015.05.27 ZSZ No. 1040014881 Document
2015.09	10	880,000,000	8,800,000,000	534,932,897	5,349,328,970	Shares transferred from warrants	6,450,000	—	2015.09.07 ZSZ No. 1040025943 Document
2016.04	10	880,000,000	8,800,000,000	536,975,897	5,369,758,970	Shares transferred from warrants	20,430,000	—	2016.04.01 ZSZ No. 1050008585 Document
2016.05	10	880,000,000	8,800,000,000	537,755,397	5,377,553,970	Shares transferred from warrants	7,795,000	—	2016.05.26 ZSZ No. 1050014197 Document
2016.08	10	880,000,000	8,800,000,000	538,124,397	5,381,243,970	Shares transferred from warrants	3,690,000	—	2016.09.06 ZSZ No. 1050024923 Document
2016.11	10	880,000,000	8,800,000,000	543,707,897	5,437,078,970	Shares transferred from warrants	55,835,000	—	2016.11.24 ZSZ No. 1050032595 Document
2017.03	10	880,000,000	8,800,000,000	545,442,897	5,454,428,970	Shares transferred from warrants	17,350,000	—	2017.03.31 ZSZ No. 1060008483

Year Month	Issued Price	Authorized Capital		Paid-in Capital		Remark			
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital		Equity offset by properties other than cash	Others
									Document
2017.05	10	880,000,000	8,800,000,000	546,585,397	5,465,853,970	Shares transferred from warrants	11,425,000	—	2017.05.25 ZSZ No. 1060014163 Document
2017.09	10	880,000,000	8,800,000,000	547,008,897	5,470,088,970	Shares transferred from warrants	4,235,000	—	2017.09.07 ZSZ No. 1060024564 Document
2017.11	10	880,000,000	8,800,000,000	552,870,897	5,528,708,970	Shares transferred from warrants	58,620,000	—	2017.11.29 ZSZ No. 1060032594 Document
2018.03	10	880,000,000	8,800,000,000	554,494,897	5,544,948,970	Shares transferred from warrants	16,240,000	—	2018.03.23 ZSZ No. 1070009075 Document
2018.05	10	880,000,000	8,800,000,000	556,257,897	5,562,578,970	Shares transferred from warrants	17,630,000	—	2018.05.23 ZSZ No. 1070015012 Document
2018.08	10	880,000,000	8,800,000,000	556,663,397	5,566,633,970	Shares transferred from warrants	4,055,000	—	2018.08.23 ZSZ No. 1070024582 Document
2018.11	10	880,000,000	8,800,000,000	557,483,897	5,574,838,970	Shares transferred from warrants	8,205,000	—	2018.11.20 ZSZ No. 1070033908 Document
2019.03	10	880,000,000	8,800,000,000	557,589,897	5,575,898,970	Shares transferred from warrants	1,060,000	—	2019.03.29 ZSZ No 1080008783 Document
2019.05	10	880,000,000	8,800,000,000	557,686,397	5,576,863,970	Shares transferred from warrants	965,000	—	2019.05.21 ZSZ No 1080014175 Document
2019.08	10	880,000,000	8,800,000,000	557,891,397	5,578,913,970	Shares transferred from warrants	2,050,000	—	2019.08.20 ZSZ No 1080024264 Document
2019.11	10	880,000,000	8,800,000,000	557,970,397	5,579,703,970	Shares transferred from warrants	790,000	—	2019.11.26 ZSZ No 1080034337 Document
2020.03	10	880,000,000	8,800,000,000	558,051,397	5,580,513,970	Shares transferred from warrants	810,000	—	2020.04.01 ZSZ No 1090009030 Document

3. Information on the shelf registration system: None.

(2) Shareholder Structure:

April 20, 2020

Shareholder Structure / Quantity	Government Organization	Financial Institution	Other Legal Person	Individual	Foreign Institution and Outsider	Total
Number of Person	100	22	293	37,301	980	38,696
Number of Shares	39,943,010	29,027,700	69,013,362	88,241,452	332,341,873	558,567,397
Shareholding Ratio (%)	7.15	5.20	12.36	15.78	59.51	100

(3) Dispersion of Equity Ownership

Par value: Ten per share
April 20, 2020

Class of Shareholding	Number of Shareholders	Number of Shares	Shareholding Ratio (%)
1 to 999	23,939	2,935,154	0.53%
1,000 to 5,000	11,593	21,522,917	3.85%
5,001 to 10,000	1,304	9,309,882	1.67%
10,001 to 15,000	471	5,686,569	1.02%
15,001 to 20,000	178	3,249,945	0.58%
20,001 to 30,000	233	5,752,348	1.03%
30,001 to 50,000	190	7,476,503	1.34%
50,001 to 100,000	252	18,348,633	3.28%
100,001 to 200,000	176	25,507,481	4.57%
200,001 to 400,000	137	39,505,400	7.07%
400,001 to 600,000	69	34,159,790	6.12%
600,001 to 800,000	35	23,958,492	4.29%
800,001 to 1,000,000	24	21,679,400	3.88%
Over 1,000,001	95	339,474,883	60.77%
Total	38,696	558,567,397	100%

Preferred stock: None

(4) List of Major Shareholders:

April 20, 2020

Shares / Name of Major Shareholder	Number of Shares	Shareholding Ratio (%)
1. Golden Tengis Co., Ltd.	45,113,765	8.08%
2. Hermes Global Emerging Market Fund Investment Account subordinate to Hermes Investment Fund Corporation under the custody of Bank of Taiwan	14,193,000	2.54%
3. Cathay Investment Special Account was fully entrusted for the New Labor Pension Fund at the 2nd meeting in 2018	13,547,500	2.43%
4. Cathay Life Insurance Co., Ltd.	13,117,000	2.35%
5. Investment Account of SUNNY RISE INVESTMENT LIMITED under the custody of Bank SinoPac	12,983,664	2.32%
6. Investment Account of Norges Bank under the custody of Chase	10,314,923	1.85%
7. Series Fund Vanguard Total International Stock Index Fund Investment Account of Vanguard Star Funds under the custody of Taipei Branch, JP Morgan Chase Bank	9,329,436	1.67%
8. Investment Account for Credit Suisse under the custody of Standard Chartered Bank (Taiwan) Ltd.	8,191,000	1.47%
9. Vanguard Emerging Markets Stock Index Fund Investment Account of Vanguard Group Manager under the custody of Taipei Branch, JP Morgan Chase Bank	7,808,610	1.40%
10. Wang, Yung-Shun	7,704,719	1.38%

(5) Market Price per Share, Net Value per Share, Earnings per Share, Dividends per Share, and Related Information over the Past Two Years

Information about market value per share, net value, earnings, and dividends

Item			Year 2018	Year 2019	As at March 31, 2020
Market value per share	Maximum		123.50	123.50	189.50
	Minimum		67.90	96.20	137.00
	Average		95.65	140.40	169.00
Net worth per share	Before distribution		18.50	23.03	24.75
	After distribution		14.48	Note	Note
EPS	Weighted average number of shares (Thousand shares)		554,406	555,633	556,071
	EPS	Before adjustment	5.33	8.91	1.86
		After adjustment	—	—	—
Dividends per share	Cash dividends		3.9984	Note	—
	Stock grants	Surplus distribution	—	—	—
		Capital surplus distribution	—	—	—
	Accumulated Undistributed Dividends		—	—	—
Analysis of Investment Return	P/E Ratio		17.95	15.76	—
	Price/Dividend Ratio		23.92	Note	—
	Cash dividend yield		4.18%	Note	—

Note: As approved by the Board of Shareholders, Accton distributed dividend in the amount of 3.9984 per share in 2018; the resolution on 2019 profit distribution is waiting to be passed in the meeting of the Board of Shareholders.

(6) Dividend Policy and Its Implementation

1. Dividend policy:

   Accton's dividend policy specified in its Articles of Association is as follows:

   If Accton has gained profits within a fiscal year, 1% to 11.25% of the profits shall be reserved as employee bonus to employees, including those of subsidiaries meeting certain specific requirements, and the Board of Directors shall decide whether to distribute in the form of shares or in cash. Accton may, upon resolution by the Board of Directors, reserve no more than 1.5% of the aforesaid profit as remuneration of Directors. Proposals for the distribution of employee bonus and remuneration of Directors shall be submitted to the shareholders' meeting.

   In case of accumulated loss, Accton shall reserve a specific amount to make up for losses, and then distribute employee bonus and remuneration of Directors according to aforementioned ratios.

   If earnings are found after closing the fiscal year, the Company shall first pay income taxes and make up for any accumulated losses, and then reserve 10% as statutory surplus reserve. However, when the statutory surplus reserve has reached the paid-in capital of the Company, the Company no longer has to reserve, and the rest may be reserved or reversed as special surplus reserve. If there are undistributed earnings left, it will be combined with accumulated undistributed earnings and the Board of Directors will propose an earnings distribution motion and ask the shareholders to resolve on the shareholders dividend proposal at the shareholders' meeting.

   Accton's dividend policy shall be in line with its current and future development plan, taking into consideration the investment environment, capital requirements, domestic and overseas competition, and the interests of shareholders; Distribution of dividends and bonuses to shareholders may be in the form of cash or shares, and the total cash dividend distributed shall not be less than 50% of the total distributable earnings of current year.

   Distribution of Accton's earnings may be in the form of cash dividends or share dividends. At present, distribution of Accton's earnings is in the form of cash dividends with priority. According to the surplus distribution scheme of 2019 passed at the meeting of the Board of Directors, distribution of cash dividends to shareholders was NT$3,462,733,461, which accounts for 74.92% of distributable surplus.

2. Distribution of dividends proposed at the most recent meeting of the Board of Shareholders:

   Accton's earning distribution scheme for 2019 was passed at the meeting of the Board of Directors on March 19, 2020 and showed in the following table, which will be implemented according to stipulations after it is passed at the meeting of the Board of Shareholder on June 18, 2020.

Earning distribution for 2019

Unit: NT$ Thousand

Item	Amount	Cash Dividends	Stock Dividends
Undistributed earnings at beginning of the period	373,011,201	0	0
Add: re-measurement of defined welfare plan recognized as retained earnings	528,787		
Add: disposal of investments in equity instruments designated at fair value through other comprehensive income, the accumulated profit or loss are transferred to retained earnings	23,716,767		
Add: current net profits after tax	4,950,495,461	0	0
Undistributed earnings for the current period	5,347,752,216		
(Less): amount appropriated as legal capital reserve	(495,049,546)		
(Less): amount appropriated as special capital reserve in accordance with law	(230,752,762)		
Distributable earnings for the current period	4,621,949,908	0	0
Distribution items:			
Shareholder's dividends- (NT$6.20 per share)	3,462,733,461	3,462,733,461	0
Unappropriated retained earnings at the end of period	1,159,216,447	0	0

3. Anticipated major changes in dividend policy: None.

(7) The impacts of issuing stock grants proposed at this meeting of the Board of Shareholders on the company's operational performance and dividend per share: N/A.

(8) Remuneration of Employees, Directors and Supervisors:

1. Amount or scope of remuneration of employees, Directors and Supervisors as prescribed in the Articles of Association:

It is specified in the Articles of Association as follows:

If Accton has gained profits within a fiscal year, 1% to 11.25% of the profits shall be reserved as employee bonus to employees, including those of subsidiaries meeting certain specific requirements, and the Board of Directors shall decide whether to distribute in the form of shares or in cash. Accton may, upon resolution by the Board of Directors, reserve no more than 1.5% of the aforesaid profit as remuneration of Directors. Proposals for the distribution of employee bonus and remuneration of Directors shall be submitted to the shareholders' meeting.

In case of accumulated loss, Accton shall reserve a specific amount to make up for losses, and then distribute employee bonus and remuneration of Directors according to aforementioned ratios.

2. Accounting treatment for the basis of estimating the amount of remuneration of employees, Director and Supervisors for this fiscal period, the basis for calculating the number of shares to be distributed as employee bonus, and for any discrepancy between the actual amount distributed and the estimated figures.

1% to 11.25% of Net Profits Before Tax shall be reserved as the Accton's employee bonus in 2019, and it was resolved in the meeting of the Board of Directors that no more than 1.5% of the aforesaid profit shall be reserved as remuneration of Directors. If any amount changes as of the date when resolution is made at the meeting of the Board of Shareholders, such change shall be treated based on accounting estimates, and recorded into the account of the year in which such resolution is made. If it is resolved in the meeting of the Board of Shareholders to distribute dividends to employees in the form of stock, the stock dividends shall be determined by dividing the amount of dividends to be distributed as resolved by the fair value of the stock. “Fair value of the stock” refers to the closing price on the day immediately before the resolution is made at the meeting of the Board of Shareholders (after the impact of XR and XD is considered). Accton did not distribute any stock dividends in current period. If there’s any difference between the actual amount distributed as resolved at the meeting of the Board of Shareholders and the estimated figures, such difference shall be recorded into account in the current year of distribution.

3. The resolution on distribution of remuneration passed at the meeting of the Board of Directors:
   1) Employee bonus and remuneration of Directors in the forms of cash or shares:
      According to the resolution made at the meeting of the Board of Directors on March 19, 2020, Accton plans to distribute NT$741,109,000 of cash dividends as employee bonus and NT$45,000,000 as remuneration of Directors out of the surplus of 2019.
   2) If there is any discrepancy between the abovementioned amount and estimated amount of recognized expenses for the current fiscal year, the amount, causes and treatment of such discrepancy shall be disclosed: None.
   3) Ratio of employee bonus in shares to Net Profit After Tax in current individual financial statements and total employee bonus:
      Accton’s earning distribution scheme for 2019 did not propose any stock dividends to employees.
4. If there is any discrepancy between the actual amount of remuneration distributed to employees and Directors (including number and dollar amount of shares distributed, as well as share price) and the recognized amount of remuneration of employees and Directors in the previous fiscal year, the amount, causes and treatment of such discrepancies should be stated:

Items	Actually Distributed Amount (NT$)	Amount (NT$) Proposed to be Distributed as Passed in the Original (2019) Meeting of Board of Shareholders	Difference (NT$)
Cash dividends to employees	433,062,314	433,062,314	0
Stock dividends to employees	0	0	0
Remuneration of Directors and Supervisors	57,741,642	57,741,642	0

Note: There is no discrepancy between the actually distributed amount and the distribution amount resolved at the meeting of the Board of Shareholders.

(9) Repurchase of Shares

1. Repurchase of Accton's shares (Completed)

March 31, 2020

Times	Purpose	Period	Price	Type and Number of Shares	Amount of Shares	Ratio of the purchased amount to the expected purchase amount (%)	Number of Shares Cancelled (or Transferred)	Cumulative Number of Accton's Shares Held	Ratio of Cumulative Number of Accton's Shares Held to Total Number of Shares Issued (%)
No. 1	To maintain Accton's credit and shareholders' interests	2002.11.29 ~ 2003.01.28	35.00 ~ 50.00	Ordinary shares 8,300 thousand shares	NT $299,900,700	100%	Ordinary shares 8300 thousand shares	None	0%
No. 2	To maintain Accton's credit and shareholders' interests	2003.02.14 ~ 2003.04.13	35.00 ~ 50.00	Ordinary shares 24,998 thousand shares	NT $727,986,500	100%	Ordinary shares 24,998 thousand shares	None	0%
No. 3	To maintain Accton's credit and shareholders' interests	2003.04.22 ~ 2003.06.21	28.00 ~ 45.00	Ordinary shares 13,347 thousand shares	NT $327,050,700	100%	Ordinary shares 13,347 thousand shares	None	0%
No. 4	To transfer shares to employees	2003.12.02 ~ 2004.02.01	20.00 ~ 35.00	Ordinary shares 40,000 thousand shares	NT $1,020,734,800	100%	Ordinary shares 40,000 thousand shares (cancelled)	None	0%
No. 5	To transfer shares to employees	2004.08.24 ~ 2004.10.23	15.00 ~ 22.50	Ordinary shares 827 thousand shares	NT $12,212,100	100%	Ordinary shares 827 thousand shares (transferred)	None	0%
No. 6	To transfer shares to employees	2004.10.29 ~ 2004.12.28	13.00 ~ 22.89	Ordinary shares 8,039 thousand shares	NT $118,337,350	100%	Ordinary shares 8,039 thousand shares (transferred)	None	0%
No. 7	Transfer shares to employee	2005.01.05 ~ 2005.03.04	11.00 ~ 22.80	Ordinary shares 9,134 thousand shares	NT $141,833,900	100%	Ordinary shares 9,134 thousand shares (transferred)	None	0%
No. 8	To maintain Accton's credit and shareholders' interests	2008.11.01 ~ 2008.12.30	3.70 ~ 10.31	Ordinary shares 1,020 thousand shares	NT $7,152,506	100%	Ordinary shares 1,020 thousand shares (cancelled)	None	0%
No. 9	To maintain Accton's credit and shareholders' interests	2009.08.31 ~ 2009.10.30	7.21 ~ 13.00	Ordinary shares 38,475 thousand shares	NT $464,113,120	100%	Ordinary shares 38,475 thousand shares (cancelled)	None	0%
No. 10	To maintain Accton's credit and shareholders' interests	2009.11.02 ~ 2010.01.01	8.65 ~14.00	Ordinary shares 6,095 thousand shares	NT $76,709,445	100%	Ordinary shares 6,095 thousand shares (cancelled)	None	0%
No. 11	To maintain Accton's credit and shareholders' interests	2011.08.29 ~ 2011.10.28	9.10 ~ 20.00	Ordinary shares 5,540 thousand shares	NT $72,741,291	100%	Ordinary shares 5,540 thousand shares (cancelled)	None	0%

2. Repurchase of Accton's shares (Incomplete): None

II. Issuance of Corporate Bonds: None.

III. Preferred Stocks: None.

IV. Issuance of Overseas Depository Receipts:

<table>
<tr><td colspan="5">Items</td></tr>
<tr><td>Date of Issuance</td><td colspan="4">February 14, 1997</td></tr>
<tr><td>Place of Issuance and Transaction</td><td colspan="4">Luxembourg Stock Exchange</td></tr>
<tr><td>Total Amount Issued</td><td colspan="4">US$ 90,120 Thousand</td></tr>
<tr><td>Unit Price Issued</td><td colspan="4">US$ 7.51</td></tr>
<tr><td>Total Shares Issued</td><td colspan="4">12,000,000 shares</td></tr>
<tr><td>Resource of Securities</td><td colspan="4">Ordinary Shares of Accton</td></tr>
<tr><td>Number of Securities</td><td colspan="4">24,000,000 shares</td></tr>
<tr><td>Rights and obligations of depositary receipt holders</td><td colspan="4">as the same as that of Accton's holders of ordinary shares</td></tr>
<tr><td>Authorizee</td><td colspan="4">The Bank of New York Mellon</td></tr>
<tr><td>Depository Organization</td><td colspan="4">The Bank of New York Mellon</td></tr>
<tr><td>Custody Agency</td><td colspan="4">Mega International Commercial Bank</td></tr>
<tr><td>Unpaid Balance</td><td colspan="4">0 (March 22, 2019)</td></tr>
<tr><td>Method for sharing the relevant costs occurred as a result of issuance and during the effective period</td><td colspan="4">The issuance plan of depositary receipt is to participate in the issuance of new shares in the form of cash increase, therefore, the issuing fees and the maintenance fees for the future survival period of the depositary receipts, the listing fees of overseas exchanges and the maintenance fees after listing shall be undertaken by Accton.</td></tr>
<tr><td>Important issues agreed in depository and custody contracts</td><td colspan="4">Important issues agreed in depository contract:
1. Transfer/delivery 2. Information provided 3. Redemption of Accton shares 4. Dividends and other distribution of interests and rights 5.Record base date 6. Voting power 7. Transfer 8. Inspection of the transfer register 9. Report and inform the important matters of custody contract:
1. Deliver original securities to issue overseas depositary receipts.
2. Notify depository institution to issue depositary receipts
3. When the overseas depositary receipt is redeemed
4. Confirm the number of shares settled each month
5. Confirm the number of shares recorded on base date</td></tr>
<tr><td rowspan="4">Market Price Per Share</td><td rowspan="2">2018</td><td>Maximum</td><td>Minimum</td><td>Average</td></tr>
<tr><td>8.24</td><td>4.62</td><td>6.35</td></tr>
<tr><td rowspan="2">2019 as March 31st</td><td>Maximum</td><td>Minimum</td><td>Average</td></tr>
<tr><td>-</td><td>-</td><td>-</td></tr>
</table>

Note: Overseas depositary receipts were unlisted in Luxembourg Stock Exchange on March 4, 2019, and the related operation was completed on March 22, 2019.

V. Issuance of warrants to employees:

(1) Issuance of employee warrants

March 31, 2020

Types	No. 3 Employee Warrants	No. 4 Employee Warrants
Effective Date of Declaration	July 6, 2010	December 23, 2013
Date of Issuance	July 20, 2010	September 4, 2014
Number of Shares Issued	20,000,000 shares	20,000,000 shares
Proportion of issued warrants in total issued shares	3.99%	3.76%
Subscription Period	2010/07/20~2020/07/19	2014/09/04~2024/09/03
Performance method	Delivery of New Shares Issued	Delivery of New Shares Issued
Subscription restricted period and ratio (%)	The term of the warrants is ten years, during which the warrants shall not be transferred, except for the successors of any deceased shareholders. It will be deemed as waiver of the right to shares if such right is not exercised upon expiration of the ten years. Ratio (%): The warrant subscribers may exercise the right to subscribe shares, based on 50% of the number of warrants granted, after expiration of two years following the grant of the warrants; and warrant subscribers may exercise the right to subscribe shares fully, based on the number of warrants granted, after expiration of three years following the grant of the warrants.	
Shares obtained	16,619,500 shares	16,791,000 shares
Amount of subscribed shares	183,655,600	262,547,951
Number of shares not subscribed	926,000 shares	2,516,500 shares
Subscription price per share for the subscriber not subscribed shares	8.60	14.20
Number of shares not subscribed and its ratio (%) in total issued shares	0.17%	0.45%
Influence on shareholders	50% right to subscribe shares may be exercised, according to the number of warrants granted, after expiration of two years following the issuance date of the warrants, while, 100% right to subscribe shares may be exercised after expiration of three years following the same, and thus, original shareholder's equity shall be diluted year by year, and their dilution effect is limited.	

Note: Each warrant may be entitled to subscribe for 1 ordinary share.

(2) Names, acquisition and subscription of the managerial officers who have obtained employee stock warrants and the employees who rank among the top ten in terms of the number of shares available for subscription via employee stock warrants

March 31, 2020

<table>
<tr><th rowspan="2" colspan="2">Job Title</th><th rowspan="2">Name</th><th rowspan="2">Number of shares that can be subscribed (thousand shares)</th><th rowspan="2">Ratio (%) of subscription number obtained in total issued shares</th><th colspan="4">Subscribed</th><th colspan="4">Not subscribed</th></tr>
<tr><th>Number of shares subscribed (thousand shares)</th><th>Price of shares subscribed</th><th>Amount of shares subscribed (NT$ Thousand)</th><th>Ratio (%) of number of shares subscribed in total issued shares</th><th>Number of shares subscribed (thousand shares)</th><th>Price of shares subscribed</th><th>Amount of shares subscribed (NT$ Thousand)</th><th>Ratio (%) of number of shares subscribed in total issued shares</th></tr>
<tr><td rowspan="7">Manager</td><td>Chairman of the Board</td><td>Kuo, Fai-Long</td><td rowspan="7">6,130</td><td rowspan="7">1.10%</td><td rowspan="7">4,430</td><td rowspan="7">11.99</td><td rowspan="7">53,120</td><td rowspan="7">0.79%</td><td rowspan="7">1,700</td><td rowspan="7">8.6 to 14.2</td><td rowspan="7">21,900</td><td rowspan="7">0.30%</td></tr>
<tr><td>President</td><td>Lee, Chih-Chiang</td></tr>
<tr><td>Senior Vice President of Research and Development</td><td>Yu, Ji-Hsiang</td></tr>
<tr><td>Senior Vice President</td><td>Chiu, Kuo-Tai</td></tr>
<tr><td>Vice President</td><td>Liew, Hin-Soon</td></tr>
<tr><td>CFO</td><td>Lin, Meen-Ron</td></tr>
<tr><td>Assistant Manager</td><td>Huang, Kuo-Hsiu</td></tr>
<tr><td rowspan="10">Employee</td><td>Assistant Manager</td><td>Li,Wei-Shuo</td><td rowspan="10">4,770</td><td rowspan="10">0.85%</td><td rowspan="10">4,070</td><td rowspan="10">12.71</td><td rowspan="10">51,722</td><td rowspan="10">0.73%</td><td rowspan="10">700</td><td rowspan="10">8.6 to 14.2</td><td rowspan="10">7,700</td><td rowspan="10">0.13%</td></tr>
<tr><td>Assistant Manager</td><td>Lin,Yu-Sheng</td></tr>
<tr><td>Senior Assistant Manager</td><td>Lin, Hsin-Hsuan</td></tr>
<tr><td>Senior Assistant Manager</td><td>Wei, Chiu-Hsia</td></tr>
<tr><td>Special Assistant</td><td>Chang, Shih-Ming</td></tr>
<tr><td>Assistant Manager</td><td>Chen, Fang-I</td></tr>
<tr><td>Senior Assistant Manager</td><td>Huang, Chun-Hung</td></tr>
<tr><td>Special Assistant</td><td>Huang, An-Jye</td></tr>
<tr><td>Senior Assistant Manager</td><td>Huang, Kuo-Ning</td></tr>
<tr><td>Executive Director of Subsidiary</td><td>Yang, Chien-Wu</td></tr>
</table>

Note 1:Mr. Lee, Chih-Chiang resigned from the position of President on April 10, 2020.
Note 2:Mr. Chiu, Kuo-Tai resigned from the position of the Senior Vice President on July 1, 2019.

VI. Restriction on employee right to obtain new shares: None.

VII. Issuance of new shares in connection with the merger or acquisition of other companies: None.

VIII. Implementation of budget plan:

Accton has not issued nor privately offered any securities in the last three years.

V. Operation Overview

I. Contents of Business

(1) Scope of Business

1. Major contents of business:
   - ■ Research, develop, produce, manufacture and sell the following products:
     - ● Network equipment for large data centers (SDN Data Center), including switches and cloud server management systems.
     - ● Computer Network System, including hardware, system software, network application software and network workstations.
     - ● Enterprise wired and wireless network devices, including switches and wireless base stations.
     - ● Customer Premises Equipment, including hardware, system software and application software.
     - ● Optoelectronic communication subsystem, including optical network, optoelectronic communication module and fiber optic repeater.
     - ● WLAN.
     - ● Wireless user's loop systems.
     - ● Internet of Everything- IoT system includes IoT gateways/Controllers, multi-sensors, applications, and Hybrid-Cloud servers
     - ● Smart Network Interface Card
     - ● mmWave base stations, bridges, CPEs (Millimeter-Wave AP, Bridge, CPE)
     - ● 5th generation cellular (5G), CPEs, and Enterprise Small Cell Base Station
     - ● SD-WAN, virtual/universal user terminal equipment vCPE/uCPE (Enterprise Grade SD-WAN, Virtual/Universal CPE)
     - ● Import and export business related to Accton's business.

2. Proportion in the business revenue of 2019

■ Switch	68%	■ Wireless	4%
■ Network application	16%	■ Broadband access	0%
■ Metro access	7%	■ Other	5%

3. Current commodities (services)
   - ■ Dedicated switch for large data center (200G/400G Data Center Switch)
   - ■ Modular optical data switch (Modular Optical Coherent Switch)
   - ■ Dedicated switch for large data center (10G/40G/25G/100G Data Center Switches)
   - ■ L2/3/4 high-speed Ethernet switch (including Gigabit Multi-rate 2.5G/5G)
   - ■ Multi-layer, rack switch (including Gigabit CLOS Chassis)
   - ■ Power over Ethernet Switch, PoE+/UPoE
   - ■ Disaggregated virtual OLT for Open GPON/ XGS-PON/NG-PON2
   - ■ Fiber door-to-door series products (FTTx)
   - ■ Carrier-Class Access Network Product
   - ■ Carrier-Class Core Router
   - ■ Metro Edge Switch
   - ■ Switches with Synchronous Ethernet and IEEE1588
   - ■ Integrated Service Gateway
   - ■ Enterprise-Grade Wi-Fi AP/Bridge

- Multi-Access Wireless Broadband Router/CPE
- Wireless Controller
- 5th generation cellular (5G) and CPE
- Driver software (Driver), network management software and network operating system software
- 60GHz long-distance point-to-point/point-to-multipoints outdoor wireless bridge
- Long Distance Outdoor Millimeter-Wave Bridge
- Smart Building Gateway & Smart Lighting Control and environment monitor System
- Smart Factory
- Smart Care for elderly care & Ultra-Low Temperature monitor system for Biomedical Sciences
- Server with switch function (Server Switch)
- Server Storage
- Enterprise Grade SD-WAN, Virtual/Universal CPE 10/25/50/10010Gbps SmartNIC
- 10/25/50/100 Gbps SmartNIC
- NVMe Server Storage
- AI inference PCIe cards
- Wave-2 802.11ac MU-MIMO WLAN Access Point
- Multi-gigabit Ethernet (2.5/5Gbps) enabled Wave-2 802.11ac MU-MIMO WLAN Access Point
- Cloud-based WLAN Access Points

4. New products (services) planned to be developed
   - NVMeOF Over RDMA or/and TCP - (Ethernet BOF)
   - New Generation SmartNIC
   - AI training mezzanine/PCIe cards and appliance
   - Network Management System
   - Cloud-based OCP in Telco SDN and NFV
   - SDN Open Network Software
   - 400G Carrier Core Router
   - LTE/5G + Wi-Fi Multi-Access Gateway Router/CPE
   - 802.11ad + WiFi multi-band indoor Enterprise AP and outdoor bridge
   - 802.11ax Enterprise Access Point
   - Omni (360 degrees coverage) outdoor 60GHz base station
   - SD-WAN, vCPE/uCPE Appliance
   - 5G mmWave CPE
   - 60GHz long distance point-to-point and point-to-multipoint outdoor fixed wireless broadband bridge
   - Enterprise/Industrial Virtual IoT Gateway
   - 5G Fronthaul Converged Access Switch (CAS) for LTE (CPRI) and 5G NR (eCPRI) Radios for Ethernet Transport
   - Next generation server switch
   - Network Security Appliance
   - Smart Applications in Smart Lighting Therapy, Living-alone power usage monitor solution
   - Smart Factory in Turnkey-Service

(2) Industry Overview:

1. Current status and development of the industry

International Data Corporation (IDC) describes 2020 is the year of entering into the digital-driven era for the globe. The digital transformation of enterprises has shifted from digital technology-led in the pat to data-driven. IDC predicts that more than half of global GDP will be driven by products and services in the transformation industry by 2023. By 2024, more than half of ICT (information and communications technology) expenses will be directly from digital transformation and innovation, with a compound annual growth rate of 17%. According to the IDC advanced research and analysis, since mainstream companies have adopted third platform technologies, such as cloud computing, mobile applications, big data analysis, and community, we will be able to witness an increase in the creation of innovation. However, many third-platform technologies and products are still in a siloed state, where data cannot be used for cross-platform applications, forcing customers to become system integrators.

Under the digital-first economy, digital services and third platform technologies rely on solid network connections available at anytime and anywhere. At present, 80% of enterprises in the world have introduced hybrid cloud and multi-cloud environments. IDC estimates that by 2022, 70% of enterprises will deploy a unified hybrid cloud and/or multi-cloud environments to manage technologies, tools, and processes. In response to the important business trends of everything as a service in the future, IDC recommends that enterprises must provide hyperscale, hyper speed and hyper connected support and response in IT infrastructure, data and applications in the future.

Digital reach does not only require connection to the cloud, but also extending cloud structure, data, apps, and management to the edge. IDC research shows that in the coming 4 years, apart from being customer experience and commerce experience, edge IT services will rapidly evolve and become more important edge applications, such as AR assisted surgery and self-driving cars. IDC estimates that the number of apps on the edge will grow by 800% by 2024.
Currently, several countries have passed or are going to pass the data localization law. Therefore, enterprises and institutions must keep the data closer to the local area to comply with regulations and reduce potential security and privacy risks.

Currently, 5G network is used in 27 countries and more than 50 telecom operators in the world, mainly for non-standalone (NSA) 5G NR networking. According to the industry analysis of the MIC under the Institute for Information Industry, the standalone (SA) 5G NR structure will play an important role in innovative applications, such as smart manufacturing, smart medical and smart transportation. From 2020, the three major operators in mainland China, SK Telecom and KT, the major telecommunications providers in South Korea, and Verizon, AT&T, T-Mobile in the US will commence the establishment of 5G SA network. For solid wireless network available at anytime and anywhere, IDC predicts that more than half of the global enterprises will have converged management of 5G and WiFi 6 by 2025. The Ericsson Global Mobile Trend Report predicts that by 2024, 5G users will reach 1.9 billion and mobile broadband users will reach 8.3 billion.

2. Correlation among upstream, midstream, and downstream of the industry

Upstream	Midstream	Downstream
CPU chip manufacturer IC chip manufacturer PC version manufacturer Crystal Passive components/resistors, capacitors Power supplier DRAM/SRAM/Flash memory manufacturer Institutional manufacturer	Exchanger Wireless network base station Network card Network operating system Network application server	System integration provider Network equipment supplier Telecommunication operator Enterprise network planner

Accton integrates upstream wired and wireless LAN chip manufacturers, cooperates with their own R & D team to provide integrated network platform and system, and optimizes network software and hardware for end users. Accton and tier 1 chipset vendors maintain good business partnerships, and effectively grasp the source and information of relationship components, further grasp the market opportunity and deepen the original partnership between the two sides in the fields of business, technology research and development and manufacturing supply chain.

3. Various development trends and competitive situations of products

Wi-Fi 6 and 5G

Wi-Fi 6 has begun to enter the lives of consumers and enterprises. The latest mobile phones, including Apple and Samsung, have enabled Wi-Fi 6, and Wi-Fi 6 wireless access points have begun to be shipped to enterprises and consumers. The 24GHz to 100GHz millimeter-wave frequency has been introduced into the ultra-fast, short-range 5G, and the 3.5GHz citizen broadband radio service, paving the way for 5G applications. In addition, this may introduce the latest private network with LTE and 5G technology, which is also used in IoT. The MIC under the Institute for Information Industry pointed out that the high capacity and extensive coverage of 6GHz is a key spectrum resource for mobile communication enterprises in the foreseeable future. It is expected that 6GHz will support the establishment of 5G networks and related research has commenced.

Growth of local and regional data center

5G applications drive the demand for decentralized computing and storage. The MIC under the Institute for Information Industry pointed out that edge computing is driving the growth of the network communications equipment market, including the construction of micro data centers and hyperscale data centers that drive the shipment of switches. The number of mainstream 100G switches will continue to increase, 400G switches will start to be shipped to data centers, and technologies above 800G are under development. IDC predicts that by 2023, more than half of the new enterprise infrastructure will be built on the edge rather than the enterprise data center. At the same time, the consideration of information security has also promoted the growth of local data centers. Uncertainty in international politics has made certain countries that originally relied on US security products and technology to strengthen their cooperation with IT infrastructure in other countries.

IDC also predicts that by 2022, 40% of countries with rapid digital infrastructure development will be shifting to local information security. In addition, IDC discovered cloud repatriation, which refers to that 80% of customers request for the recovery of workload and applications on the public cloud environment, which will be saved in the data center of the client.

Mobile Network

The digitalization of enterprise vertical applications has brought about the need to build private cellular networks. The MIC under the Institute for Information Industry forecast that the value of the global mobile network market will grow to US$37.2 billion by 2025. The growth rate of the mobile core network market will slow down in 2020. The research institute Dell'Oro Group pointed out that the reasons include the slowdown of upgrading to the 5G core structure and the unresolved security issues that have led to uncertainties in the European Union.

(3) Technology and R&D Overview

1. R&D expenditures in the last two years as of March 31, 2020 and their proportion in business revenue

Unit: NT$ Thousand

Year	R&D Expenditure	Proportion in Business Revenue (%)
2018	1,816,186	4.21
2019	1,993,443	3.60
March 31, 2020	472,375	4.03

2. R&D Achievement

Accton has been engaged in the network and telecommunication field over the past thirty years. The technical team spans Taiwan, China, the United States and Europe, and has always maintained a leading position in the design and manufacture of open network architectures and IP-centric solutions. Accton is the leader in the open hardware network architecture of the cloud data center and an outstanding contributor to the Open Compute Project (OCP). In recent years, it focused on improving the product structure and entered the cloud data center and telecom equipment field. Accton created a comprehensive IT information network infrastructure from enterprise, telecommunications bureau to data center end products. Its customers also expanded from OEM customers to international data centers and telecommunications customers. Since entering the white box switch market in 2015, Accton is currently a supplier of major international network and telecommunication manufacturers, its revenue has been reaching record high numbers. The diversified product line extends to multi-domain applications and system integration solutions for multiple intelligent applications, providing cloud data center solutions, city network access/telecom network solutions, IoT solutions, campus/enterprise cable and wireless network solutions, SD-WAN solutions, etc. Driven by services such as 5G and AI artificial intelligence services, global data centers are actively upgrading equipment. Accton has acquired network and telecommunication core technology and a comprehensive product layout. The related benefits continue to grow with the addition establishment of network infrastructure.

The digital transformation and the continuous advancement of technology trends, such as cloud computing, 5G and AI, have brought new business opportunities to the global ethernet switch market. 5G applications drive computing demand. In 5G networks, applications such as multiplayer cloud gaming, AR/VR, smart manufacturing, and V2X supported by low latency and the IoT drive the demand for decentralized computing and storage, especially in the edge computing market that has driven the increase in the scale of the network equipment market. The establishment of micro data centers and hyperscale data center directly have directly led to the growth of switches, and the demand of telecommunication customers to upgrade their specifications. The opportunity for growth lies in the construction of 5G base stations, the demand for 400G switches for expanding regional server rooms will increase rapidly. Accton leads the industry in researching and developing high-density 400G switches to make it easier for users to set up/plan/apply. The switch has reduced power consumption and low thermal energy design to reduce power consumption and physical space requirements. The modular system design provides the best scalability and management. Accton will actively deploy 400G switches into the telecommunications white box switch market. Accton Cloud Data Center Solution launched switches with 10G/25G/50G/100G/200G/400G interface, providing solutions with networking, computing and storage characteristics, and a high-speed, high-density platform that fulfills the open computing plan (OCP) standard. In the current application market, 100G switch products are still the mainstream products in the market. Accton introduced a high-density 128-port 100G to replace four 32-port 100G switches, providing products with the best specification to the industry, reducing the space required for server rooms and the cost for building, changing and management. Switches from Accton data center are modular design. With the development of cloud data centers, Accton has created cost-effective open bare machine hardware, product functions are customized according to the needs of different markets, providing cost-effective and comprehensive cloud data center solutions. Meeting different specifications requirements of enterprise users from different countries in different levels of cloud management services.

Cloud data center switches accelerate the upgrade needs and the development of long-distance connection of data center. Accton provides telecom operators, large data centers and high-performance computing environments (HPC) to higher bandwidth, scalability and cost-effective coherent fiber optics switch, which is currently the only switch on the market that can support both CFP2 Analog Coherent Optics (ACO) and Digital Coherent Optics (DCO) hot-swappable switches. Users are not required to bind a specific coherent fiber transceiver module supplier. Under the application of coherent 16QAM encoding, the data can be transmitted up to 1,000 kilometers on the fiber media. The software uses an open network system management framework to meet the demand for network visibility from large-scale cloud computing, storage and HPC architectures.

With the increasing demand for big data and deep learning, the popularity of smart terminal devices has increased, the computing and application models of cloud networks are more complicated, the demand for computing simulation and analysis of network data is also increasing, including the application of expansion slot of internal servers in the data center. In view of the increasing importance of the demand for high-bandwidth computing, driven by virtualization platforms and cloud storage, the demand for servers is increasing. In the future 5G central office network update process, a decentralized and open architecture is required to build a new generation of smart network. The 5G decentralized open local routing server developed by Accton is a 2U high-end router with a smart network routing server that supports high-frequency bandwidth, low power, high reliability and stability, which meet the current and future demand for 5G telecommunication intelligent network and cloud. It provides telecom office room with 5G decentralized open network architecture, supports a variety of SFP+, SFP28 and QSFP28 fiber modules, and can be used with external 24-port 400G fiber terminal local routing switches to expand the fiber client network, and provides remote management and control for network administrators through SDN management server, which can be seamlessly integrated with the 5G open network management interface. In view of the increasing importance of the demand for high-end AI computing, the fanless product design of Accton's AI acceleration card is in line with the data center's environmental protection and energy-saving target for reducing thermal energy. It can be used in servers for programmable changes and storage, for balanced calculation of workload of computing networks, to assist in big data analysis, image comparison, voice analysis and network security control functions. Accton continues to develop flexible application methods of adding expanded hardware to the data center, so as to effectively control costs, save power, improve network data computing performance and strengthen practical applications for different data analysis.

From the development of 802.11 technology in 1997 to 802.11ax today, the evolution of each generation of technology solved the limitations of the current technology and broke through the limitations, presenting different services. The Wi-Fi network has established a decentralized connection architecture, allowing Wi-Fi to enter places where it is most needed, such as residential, buildings, and equipment-intensive outdoor spaces. Under the application of smart city and the IoT, wireless networks carry more than half of the internet traffic, billions of people rely on wireless networks every day. Multiple international market research agencies predict that devices connect to the internet will increase by more than ten billion after 2020, doubling the number of access to wireless network services in a single space. In addition to capacity support, the density of deployments must increase by then. With the rapid growth of streaming multimedia services such as audiovisual, live broadcast, music, and the demand for high-speed networking from industrialization 4.0, medical treatment and smart cities, 5G and Wi-Fi 6 802.11ax will flourish simultaneously. In 2020, 51% of global network data traffic will be from Wi-Fi, 5G, and WiFi. 6 802.11ax, which are highly complementary, making wireless high-frequency transmission more efficient and meeting human needs for high-speed networking. To adapt to the new generation of 5G and Wi-Fi 6, Accton is leading the market and has launched multiple Wi-Fi 6 802.11ax wireless network products, offering operation in 2.4GHz and 5GHz frequency, with orthogonal frequency division multiple access (OFDMA). Under the 802.11ax technology, the subcarrier spacing is reduced by a factor of four, which improves spectrum efficiency and enhances the anti-interference ability of multiple paths, making WiFi communication more stable than before. Multi-input and multi-output "uplink MU-MIMO," and allows more downlink data to be transmitted at a time, allowing the access point (AP) to be connected to more devices at a time. The 160MHz channel can be used. Therefore, the bandwidth is increased and higher performance can be achieved with a lower latency. By encoding more data in the same amount of spectrum, 1024 Quadrature Amplitude Modulation (1024-QAM) improves the data throughput of new bandwidth-intensive use cases. It meets the highest security and interoperability standards of devices, supports lower battery power consumption, greater coverage ensures that each connected device achieves the best performance, enabling it to be a reliable choice in any environment, including the IoT. Accton uses different wireless frequency technologies to develop corresponding wireless network connection products and provides a comprehensive network coverage solution. In addition, Accton strengthens the hardware and software platform to provide a convenient software development environment, and actively participates in the software open source community to increase the choice of cloud management or access control for wireless network platforms.

With the advent of the era of 5G, AI and the IoT, the generation of a large amount of data has become the trend. Under the traditional cloud architecture, computing and response no longer meet the real-time requirements. Cloud+Edge Computing architecture has thereby emerged. Industry Edge Gateway has cable/wireless/regional/wide-area networking and industrial control functions with a fanless heat sink design, suitable for installations in a variety of environments. Powerful cloud edge architecture application software enables high-end applications, such as smart factories, unmanned vehicles and robots, in the 5G era. The integration of the three major technologies, including the IoT, edge computing, and AI, connects various life applications through technology, prompting humanity to enter the next era of intelligence. The “Aigeia Biomedical Temperature Monitoring System” launched by its IoT team is a cloud monitoring system specially designed for monitoring ultra-low temperature environments. The minimum sensing temperature can reach -100°C. Platinum resistance temperature sensors can be placed in vaccines, cells, and bone marrow storage freezers for biomedical purposes, which facilitates the monitoring of temperature through mobile phones or computers by the manager. The energy crisis is an important issue faced by the world. Countries around the world are actively implementing energy-saving and carbon reduction measures. Taiwan’s lighting electricity accounts for more than 15% of the total electricity consumption. In the face of rapid population growth, the use of lighting and energy must be able to meet the trend of sustainable energy. The intelligent lighting control and environmental monitoring solution of Accton's IoT allows the intelligent lighting control system to adopt humanized cloud management for remote monitoring and control. IDC predicts that the global AI investment scale will reach US$46 billion in 2020. The Asia-Pacific region will be the largest demand for AI. Gartner estimates that the global business value of AI in 2022 is expected to reach USD3.9 trillion, indicating that the scale of business opportunities is huge with a significant growth rate. Accton will continue to develop smart life-related devices and technologies, create new values for the smart technology life, and connect the needs for the IoT of different communities. Through virtualization and digitization solutions and combined with different industries, Accton can enhance intelligent life and integrate the IoT service platform to enjoy the convenience of the IoT.

IDC predicts that by mid-2020, software-defined networking in a wide area network (SD-WAN) will become the mainstream basic technology and the driver of edge computing, which can provide faster branches and remote sites. IDC surveys show that in 2020, the SD-WAN market will exceed US$6 billion in infrastructure and management service expenses. Accton's open, software-defined network solution provides a series of SD-WAN/uCPE equipment, which can be used as a medium to high-end network computing hardware platform. These devices use Intel x86 and NXP ARMv8 processors, with high computing performance, built-in hardware crypto engine, support multiple network connection methods, network function virtualization (NFV) and high-frequency bandwidth throughput. The

Universal Customer Premise Equipment (uCPE) under the open hardware architecture can be installed in many environments, through the zero touch provisioning, it can also be managed on a single platform through the cloud system. As a result, the complicated deployment process in the past can be simplified. The rapid and flexible configuration of uCPE devices brought by the SD-WAN network facilitates the concept of software-defined offices. Any branch or mobile office can be quickly connected with a standard private network or public network, cable or wireless network, SD-WAN network will automatically perform service activation, verification and configuration. It can easily adapt to many applications and services and provide the best flexibility and cost-effectiveness to SD-WAN networks. By using software-defined architecture, virtualization, open standards, and API application interfaces, service providers and enterprises can not only accelerate the achievement of digital transformation goals but also take advantage of new market opportunities more quickly and efficiently. Accton's solutions will assist customers in expanding infrastructures to meet future needs, helping users to quickly deploy and expand at the lowest cost, and build software-defined networks at the network edge.

Digital learning is the trend of future learning. The power of action vehicles is used in the course to create many creative and diverse lessons, change children 's learning effectiveness and smiles, and make learning very different. Edgecore creates a digital learning environment in a smart campus for the new generation. Edgecore and the Chunghwa Telecom Tainan Operation Office jointly build a high-speed wireless network that meets Wi-Fi 5 technology standards for 275 primary and middle schools in Tainan City, and build a campus network center core network and client wireless network equipment with a seamless overlay. The introduction of data center-level wireless network core network equipment provides a high-speed transmission wireless network environment with 100% coverage for primary and secondary schools in Tainan City, opening up the last piece of smart education necessary to provide an equal and high-quality digital learning environment for 275 primary and secondary schools. Guided by the needs of information technology teaching and future digital learning, or even inter-school, multi-national distance learning, leading students to broaden their horizons outside of books and cultivate future talents in the digital age. Edgecore innovatively developed an open 5G mobile base station backhaul router and outdoor wireless base station, which won the 28th Taiwan Excellence Award. An open 5G mobile base backhaul router that complies with the 5G telecommunications market, transfers huge amounts of data performed by base stations and mobile terminal devices to the backhaul, which is then aggregated and transmitted to the telecom central office. The built-in optical fiber module is designed with high-speed port density. It is the world's first open hardware technology that combines with low energy consumption technology, which can provide 25G to 100G high-speed signal and data return. Edgecore send this design to the OCP Telco working team as a gift, which has become a reference for hardware equipment used by telecom operators worldwide. The wireless transmission rate of the enterprise-grade outdoor dual-band dual-module wireless base station of the wireless base station can be up to 1.2 Gbps. It has built-in two sets of the world's first wireless dual-band dual-mode antennas, which can support different applications through software and intelligent switching of operation modes, simplifying the complexity of outdoor deployment. The high-power wireless amplifiers can enhance signal stability and provide better delay, anti-interference and significantly improve throughput performance. Each wireless module can support up to 500 milliwatts of wireless power output, providing customers with the best choice in long-distance bridging. The built-in LTE module expansion slot is available for purchase by users. It is another wireless backhaul backup network and built-in low-power Bluetooth BLE, which can support wireless terminal interfaces or wireless positioning services. Entering the 5G era, Telecom operators will adopt open network architecture business opportunities. Edgecore launches mobile communication base station backhaul routers and future 5G mobile operators begin to adopt open user terminal equipment developed outside the open network to allow telecommunications services suppliers to deploy and provide innovative, flexible and scalable services and applications.

Our subsidiary IgniteNet opened the 60GHz mmWave market, which was recognized by the Global Wireless Internet Service Providers Association (WISPA), becoming the leader in wireless network cloud management and 60GHz millimeter microwave technology. IgniteNet's MetroLinq series products are equipped with point-to-point (PtP)/point-to-multipoint (PtMP) long-distance wireless connection functions, increasing the speed and bandwidth of wireless connection to a new level by using a unique technology. The 60GHz used is a non-licensed frequency and noise-free spectrum, which provides high-bandwidth, high-speed, secured and stable multi-gigabit network applications that can transmit huge amounts of data. It can be quickly deployed, including community safety monitoring, smart traffic monitoring, and the latest smart city applications and the IoT. In the face of the expensive cost of installing and the difficulties in maintaining physical fibers, it is the best basic network installation solution reaching Giga fiber speed. IgniteNet provides the best solution for telecom operators/service providers and enterprises worldwide to build multi-gigabit network for various emerging applications in the future. Facing the challenges of internet service applications and rapid changes in the 5G era, in addition to providing reasonable cost of installation (CAPEX) and high speed, IgniteNet series products provide stable key components to telecom operators/service providers and enterprise. By using the cloud controller interface, IgniteNet achieves simultaneous centralized control of Multi-Site/IgniteNet devices in various fields, including enterprise-level wireless network indoor and outdoor base stations, which is flexible and easy to maintain, effectively reducing the management cost (OPEX) after installation. IgniteNet provides the best choice of choosing wireless networks as the key to network infrastructure for global telecommunications operators and network service providers. Metalligence specializes in smart home and solutions for IoT, uses the wireless technology and cloud application software of the IoT to launch the Home Guardian (Home security control system), providing the best solution for IoT applications in different fields combining cloud technology, energy management, Home protection, Home automation, the Smart Home service.

Asia is a region replying on export. For many economies, exports are important growth drivers. Accton has factories in Taiwan and China. In the past, network switches and network and telecommunication equipment products exported from China to the United States accounted for 35% of the total revenue. In response to the US-China trade war and the increase in US tariff and the government returning policy for Taiwanese businesses, Accton is the first company approved by the Executive Yuan 's "Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan". Accton returned to Taiwan to establish its plants. The 5 production lines of the new Miaoli plant have been put into production. In addition to the 3 lines of the Hsinchu plant, there are 8 production lines in Taiwan. In addition to creating employment opportunities in Taiwan, the upstream and downstream supply chain of the global dotcom industry can also be strengthened, expand the manufacturing and production industry in Taiwan and increasing investment opportunities in Taiwan. Taiwan has always been the focus of Accton's R&D and production, bringing innovative changes and development opportunities to the network and telecommunication industry, fostering the development of Taiwan ’s economy towards high value-added industries, and driving the global network communications market demand to cover all aspects of life are the ultimate goal of Accton. .

- Domestic patent (as of March 31, 2020): 25
- International patent (as of March 31, 2020): 100

Accton adheres to the concept of continuous innovation and improvement, focusing its technology research and development in product development and improvement. For intellectual property management, especially for patents, Accton has established a patent management and incentive measures to actively encourage our R&D colleagues to translate their technological innovation ideas in the process of product development and optimization into proposals or to record them in our R&D logbook. Patent protection is provided for ideas that meet the criteria for patent application and have the potential to introduce products. To manage its patents effectively, Accton manages and controls the patent management operations through its self-developed intellectual property rights management system, controlling the progress and process of each patent application. For patents under maintenance, Accton conducts patent evaluation regularly and decides to continue or terminate patent maintenance based on the application performance and future potential of the patented technology in order to ensure effective management of Accton's patent assets and maximize its efficiency. On the other hand, for the management and control of infringement risks, apart from determining if there are potential infringement risks and avoiding the feasibility of design according to the technical needs of the R&D employees during the product development process, Accton also pays attention to whether patent disputes are involved in the patent proposal review process, with a view to reducing product infringement risk and ensuring smooth operation and promotion of products to customers. In addition, the relevant patent application standards and patent evaluation standards will be adjusted accordingly at any time according to Accton's product strategy to achieve the management goals of coherent technology development, product development and patent planning.

3. Future R&D Plan

Under the rapid acceleration of technological transformation, the global shift into 5G and Wi-Fi 6 technology will play an important role in the full digital transformation of enterprises. With the global 5G mobile broadband network being built one after another, the demand for network broadband is growing rapidly, cloud applications are increasing dramatically, and faster and safer applications are constantly driving the innovation and business opportunities of network architecture. For the future trends in AI and the IoT, open architecture and software-defined IT infrastructure will also require a large amount of integrated network equipment. Accton will continue to move towards the accelerating network optimization and improving computing efficiency, continue to adopt trending applications, such as data centers, AI, 5G, IoT, edge computing, and launch various information and communications infrastructure solutions, cooperate with well-known international strategic partners, continues to act as a leader in the open IT infrastructure industry. The Group will create more innovative applications and market opportunities together with the specialized research technology of its subsidiaries. At the same time, Accton will accelerate production intelligence and improve the quality and efficiency of the supply chain, gradually expanding the overall production capacity and supply. The McKinsey Global Institute estimates that by 2030, AI technologies will be widely adopted by most large enterprises around the globe, meaning that AI will be closely related to our daily lives. Optimistic about the growing trend of AI, Accton established a team dedicated to the research of AI and R&D of automation to expand the industrial system and application of new products, and expand the open network architecture to the telecommunication operator market. In the future, Accton will develop diversified applications and infrastructure in the 5G, IoT, AI, edge computing, industrial and automotive markets. Continue to develop and provide equipment that meets the Open Compute Project (OCP) and Telecom Infrastructure Project (TIP) open network architecture and software-defined network foundation to accelerate the achievement of the future network application and development vision of intelligent connectivity and Internet of Everything. Since its establishment in 1988, Accton has created diversified products to meet the needs of different customers, expanded network equipment solutions for different applications, and will gradually expand ACCTON signature products to the world and become a leader in technological innovation.

(4) Long-term and Short-term Business Development Plans

1. Short-Term Development Plan
   - Increase market share through by integrating technologies and providing customized products to grasp market trends and customer needs.
   - Apply accumulated technical knowledge to develop new product lines, work with hardware and software vendors to accelerate new product introduction and enhance product quality and reputation.
   - Retain existing customers, actively expand market coverage, strengthen the partnership with existing ODM/ODM customers, and provide professional consultation, maintenance and technical support for most products.
   - Actively develop the 10G/40G/100G/400G products related to the Open Compute Project, expand the partnership with software manufacturers, grasp emerging business opportunities, and form a new ecosystem related to chips, hardware, software and applications.
   - Promote the application of open network and actively participate in the formulation of open network standards for backbone networks of telecom operator (TIP: Telecom Infrastructure Project).
   - Actively develop the wireless network technology and products with the distinction and application prospect. Such as Adaptive MIMO smart antenna, 802.11ac+ 802.11ad, 802.11ax integrated outdoor long distance 60G WLAN Bridge, etc.
2. Long-Term Development Plan
   - Continue to master the relationship between chip and software technology, and continue to lead the Open Network hardware platform.
   - Be continuously committed to providing professional ODM R&D and production services (world-class Outsourcing Partners).

- Develop own channels to promote self-developed products and provide sales and service through its subsidiary brands (Edgecore/SMC).
- Continue to master key 10G/40G/100G/400G technologies related to Open Compute Project and expand cooperation with chip manufacturers/software manufacturers.
- Cooperate with telecom operators to develop advanced software-defined wide area common/virtual client devices SD-WAN vCPE.
- Actively develop wireless network technologies, products and platforms with differentiation and application prospects.
- Build a hybrid cloud-based IoT solution linking terminal application products, strive to reduce customers' operating costs and improve service quality, meanwhile, strive to analyze users' behavior patterns based on accumulated information, and enhance the value of life with intelligent application services by joining hands with different industries.

II. Market, Production and Sales Overview

(1) Market Analysis

1. Sales Destination of Accton's Major Products

Accton's major products are enterprise and telecom high-speed Ethernet switches, WLAN products, broadband series and consumption electronics products, which are mainly sold to United States, Europe, Asia and Taiwan. The main sales destinations of the major products in the last two years are as follows:

Year / Sales Destination	2018 (%)	2019 (%)
Domestic Sales	3	3
Overseas Sales	97	97
A. America	70	70
B. Europe	16	18
C. Asia	11	9

2. Market Share

1) According to the report and analysis made by IDC, the revenue in global Ethernet switch market in 2019 (including Layer 2/3 switches) was US$28.8 billion, representing an increase of 2.3% from 2018. The growth was mainly derived from high-speed switch platforms, with 100GbE accounting for 18.3% revenue in 2019 and export in the 4th quarter reaching 5.8 million. 10GbE accounts for 27.3% of the global revenue and 1GbE remains the main enterprise and campus network deployment connection, accounting for 40.3% of the total revenue.

   In terms of the global market share of major switch manufactures, Cisco accounted for 50.9%, Huawei 9.6%, Arista Networks 7.0%, HPE 5.4%, and the 5th one was Juniper, in 2019. Dell'Oro indicated that Arista, Cisco, Juniper and Dell began to offer 400Gbps exports.

2) The global enterprise and service provider router market in 2019 was US$15.5 billion, representing an increase of 0.4% from 2018, of which enterprise increased by 6.9% and the service provider increased by 0.4%.

3) Telecommunication and mobile network markets: The mobile core network market expanded to nearly US$8 billion in 2019. Ericsson, Huawei and Nokia are the three major suppliers, while Asia, Europe, the Middle East, and Africa and North America are the top three growing regions.

4) Dell'Oro indicated that the overall enterprise WLAN market did not grow in the 4th quarter of 2019 but Wi-Fi 6 sales increased by 50% compared to the 3rd quarter. Cloud-managed wireless LAN equipment shared the convenience and troubleshooting functions of remote management, its sales growth is also greater than the overall market. Cisco was the leader in the global Wi-Fi 6 sales, about half of which were from North America, while other regions are led by Huawei.

3. Future Supply and Demand in Market and its Growth

1) The Market of Data Center: Research institute Dell'Oro Group estimated that the export of Ethernet switch used in data centers will exceed 60 million by 2024, over half of which will be 100Gbps, 400Gbps and 800Gbps. By 2023, the export of 400GbE switch will reach 15 million. The demand for 400Gbps

from the edge market will increase rapidly from the end of 2020 to the beginning of 2021. Dell’Oro Group also predicts that by 2024, the number of 400Gbps and higher-speed switch shipping ports will exceed one quarter. Research and Markets, a market research institute, expected the market size of data center switch will reach US$17.69 billion in 2023, with a compound annual growth rate (CAGR) of 4.92%. Dell’Oro Group estimated that the market of data center interconnect (DCI) will increase by 85% in the following five years from US$2.7 billion in 2017 to US$5.1 billion in 2022, with a compound annual growth rate (CAGR) of 13%.

2) Telecom and mobile network: Dell’Oro Group indicated that 5G and cloud services will drive investment in IP networks, the revenue from service provider router is expected to exceed US$75 billion in 2024, 100G And 400G Ethernet technology is expected to account for half of the router revenue in 2024, and the Asia-Pacific region led by China will bring the greatest growth. In addition, 5G mobile backhaul transport equipment revenue is expected to reach US$3 billion in 2024, where over half of the revenue from 5G mobile backhaul transmission equipment and over 35% of the revenue from microwave transmission will be derived from the establishment of 5G network.

3) Enterprise Wireless LAN products: Dell’Oro Group analyzed and predicted that the scale of the enterprise wireless LAN market will be close to US$9 billion by 2024. However, the world's leading banks have lowered their economic prospects and estimated that sales of such markets will experience a slowdown in the short term, especially in North America and Europe, while the demand for Wi-Fi 6 will grow rapidly.

4. Competitive Advantages, Favorable and Unfavorable Factors for Future Development, and Countermeasures

1) Competitive advantage

- Accton has a strong research and development team and long-term cooperation with international Netcom chip manufacturers.
- Accton has the ability to develop modular software platform and greatly shorten the product development schedule.
- In terms of the dedicated 10G/40G/100G/400G switches for Open Network Center, Accton is the first provider of 10G switches certified by the Open Compute Project (OCP) in the industry. Accton provides ONIE's open software architecture with more than 15 OCP certified switches, and has aligned with the telecom industry to propose the industry-leading whitebox PON OLT for OCP. The first OCP 400G switch was proposed in March 2018.
- It firstly proposed to provide solutions for the open network enterprise wireless network architecture and SDN software industry alliance.
- It has strategic alliance with the software giant of Open Network to provide the design with a high efficiency and high reliability, and provides flexible use of new data centers. and it proposed to use whitebox Cassini 100G fiber optic exchanger specially for data transmission and service improvement between/among large data centers for TIP (Telecom Infrastructure Project) open telecommunication architecture alliance.

- It has a number of network management systems and drivers and other network software patents, giving added value to the product.
- And Accton has wireless and cable product technology development capabilities, and it is the world famous cross-platform research and development strength of the enterprise.
- Its major customers are all the leading international manufacturers, thus Accton maintain a good long-term interactive relationship with customers and help with understanding the market direction.
- Accton has good partnership with upstream and downstream suppliers, so it can actively control the source of raw materials and effectively reduce costs.
- Accton has strategic alliance partners all over the world, effectively the capacity, technical team, or human resources of each unit.
- Accton has obtained the quality certification of ISO 9001, ISO 14000 and TL 9000, and obtained the certification of many international large factories to improve the quality and strengthen the competitiveness of OEM.
- It can provide customers with 24/7 real-time technical support and services through online network information system.

2) Development Prospect

(a) Favorable factors

- Growth momentum in the telecommunications sector continued to expand: with the significant improvement in mobile device shipments, the commercialization of LTE, the fourth-generation communication technology, and the introduction of cloud computing, the value-added services of telecom operators are becoming diversified, and the revenue of devices and large-scale architectures sold together with application services is expected to grow year by year. And, in response to the open network trend, the telecommunications industry has also begun to test and evaluate the possibility of joining the open network hardware and software.
- Potential of enterprise-level wired and wireless networks: enterprises attach importance to information security and effective mass data transmission in their demands for switches. The upgrade of network equipment in the aggregation layer has become the first choice for enterprises to transform their network architecture. Accton has a long-term and profound relationship with the leading international brands, and is able to grasp the brand customer demand first-hand and invest in the development of SDN data center 10G/40G/100G switcher-related technologies in the early stage.ODM customers are also gradually laying out whitebox products in line with Accton 's recent product development direction. In addition, by taking advantage of dual business modes of OEM and brand, Accton takes practices in global market for local custom service according to the front end user's demands; in addition, with the trend of wireless enterprise network environment, management room or access application is adjusted based on movement and virtualization, Accton's radio frequency (RF) is researched and developed by them

independently (in-house), and it has a rare domestic perfect test center, which is competitive in terms of technology and in market.

- Demands for mobile broadband applications continues to rise: with the popularity of high and low level mobile phones and various applications, the infrastructure construction of 4G /LTE and the wireless hotspot devices of telecom grade Wi-Fi are brought, which drives the demand of upgrading related products to 802.11ac. APPs with various high bandwidth requirements can predict the future demand for indoor and outdoor enterprise class and telecom class 802.11ax high capacity wireless base station technology.
- Innovation and transformation of network industry: the Internet of things and digital convergence bring new business opportunities. Based on the development of network IP, more and more terminal unit have networking function, which combined with voice, data, video and action APP four big functions of portable multimedia mobile devices and networking television (IPTV), the overall operations in fixed network and the Internet bandwidth demand is still unabated, and it is expected to drive the telecom operators on infrastructure investment, such as data center switches and wireless access equipment (AP).
- The concept of smart city and machine to machine is gradually concerned by the market. In the future, the application of Netcom will be expanded to the transportation system, electric power education system, medical institutions and other public utilities, and the potential cannot be underestimated. Among them, the related demands of intelligent energy-saving lighting system, intelligent safety environmental control system and intelligent care system are also gradually emerging. In terms of terminal equipment application, Accton has cooperated with global leading brands in previous years and accumulated relevant software and hardware development technology and production market introduction experience, which is helpful for the introduction of new products and services.

In recent years, new value chains and new technologies have also deconstructed the industrial value due to the demands for new services and Big Data. The new business model of software development, such as the White box Data Center, has driven the impact of the original ecological structure. Accton has formed an alliance with the open architecture software giants, which is conducive to mastering the niche market.

(b) Adverse factors and countermeasures

- Industry competition is intense, and gross profit rate compresses gradually

  The life cycle of network products is compressed due to the rapid changes in the information market, and the gross profit of the ODM/OEM business is declining, therefore, the countermeasures aim to strengthen the added value of products and provide one-purchase service to enhance the relevant business opportunities through the integration of software and hardware and alliance with related upstream and downstream.

- In terms of technology, it is necessary to be more actively committed to the work of technology root in order to establish entry barriers and expand business scope. As the design and development work of chip manufacturers becomes more and more perfect, assembly manufacturers with more manufacturing scale are also urged to invest in the industry of Netcom.
- The technology of Open Networking switch products becomes more and more mature, attracts other server /Storage vendors to the market, improve market competition and gross margin, so the countermeasure is to strengthen the cooperation with the top software manufacturers, and quickly replicate the application of other emerging markets and vertical markets in Europe, and strengthen the depth and operation in regional markets through brand subsidiaries.

(2) Important Use and Production Process of Major Products:

1. Important Uses of Major Products:

1) Data Center switch

This product is used in large data centers connected to cloud servers, providing 10G, 40G and 100G higher transmission rates and improve the efficiency of mass data processing.

2) Ethernet Switch

This product includes generic switches, high-speed switches and Ethernet power supply (PoE) switches, and is suitable for being used in centralized network management environment.

Among them, the Ethernet power supply (PoE) switch provides AP(Access point) power supply for wireless base station to solve the problem of setting up power supply for wireless base station.

3) Wireless solutions

They include wireless base stations, wireless gateway, FWA (Fixed Wireless Access) and other products, through IEEE 802.11 a/b/g/n/ac/ax/a, LTE, BLE/Zigbee and other standards, to provide users with Wireless Internet interface and equipment.

4) Broadband access

They include disconnect-type GPON/XGS-PON/NG-PON2 local optical terminal OLT.

5) 10G Intelligent High-Speed Network Card

Provide faster data transmission for storage and computing servers, and provide acceleration for complex network virtualization computing, storage acceleration, point-to-point transmission encryption, deep analysis, so as to achieve fast, safe and efficient data transmission.

6) IoT Solutions

The hybrid cloud is built as an infrastructure to connect the IoT solution of computer hardware. They provide full range of front and rear field intelligent life monitoring and environment control system applied in intelligent living field, and can quickly grasp the information through remote monitoring and real-time transmission of information to smart phones.

7) mmWave Solutions

Provide igabit per second class long distance wireless last mile and Fixed Wireless Access.

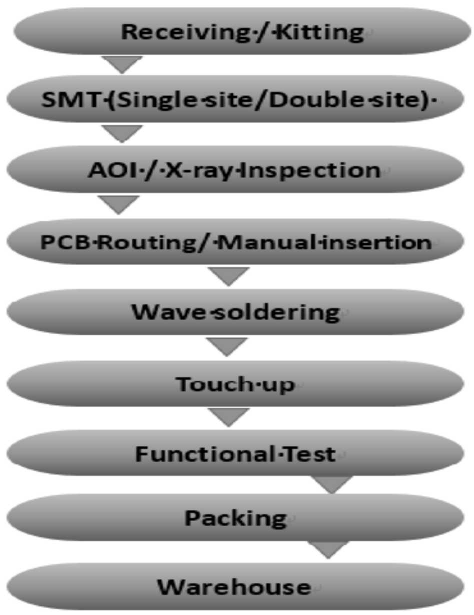
8) SD-WAN/vCPE/uCPE solutions

Software Defined Wide Area Network (SD-WAN) and software defines network technology use virtualization technology to simplify the management and maintenance of data centers. With this technology, enterprises can use low-cost access through network, and establish highly efficient WLAN. Therefore, expensive private WAN technologies can be replaced fully or partially, such as MPLS or private line. Service providers can provide new services on request quickly by using Virtual/Universal user-end equipment (Virtual/Universal CPE, vCPE/uCPE) by virtue of powerful hardware efficiency, highly flexible intelligent user-end operating system and network function virtualization. Unlike traditional devices which require deployment and configuration of new hardware, vCPE out-of-the-box service resiliency improves remote management capabilities for service providers and reduces operating costs for both parties.

2. Production Process

High order switches, wireless products, broadband and home security

Network Card



(3) Supply of Major Raw Materials

In response to the US tariff policy, 5 production lines will be added to Taiwan in 2019 and Taiwan’s production capacity will be increased. Existing suppliers of major components will remain the same and the supply of a small number of post-packaging materials will be replaced by localized suppliers. In 2019, the overall components, such as memory and MOSFET, remained stable. The supply of passive components capacitors and resistors exceeded the demand in the 2nd and 3rd quarters, their prices have also been significantly lowered. Accton will provide 6-12 months of forecasted demand to long-term partners to ensure mass production. When necessary, strategies or cooperation agreements will be executed with major suppliers.

1. Raw materials continue to fully comply with the Restriction of Hazardous Substances Directive issued by the European Union.
2. Work closely with suppliers to integrate the supply of components from multiple parties from the NPI stage with over 2 suppliers, so as to effectively stabilize the supply and reduce the risk of material shortage. In order to stabilize the supply source of major raw materials and enhance the advantages in the procurement of materials, the following measures are implemented:

2.1 Strengthen procurement capabilities, establish a sound and long-term cooperation with suppliers, jointly develop new technologies for components, so as to strengthen the mutual reliance.

2.2 In order to ensure that the suppliers' product production schedule can meet Accton's needs, the supplier is reviewed regularly every year to ensure their supply capacity and quality.

2.3 Regularly review suppliers' product quality, delivery accuracy, cost and service performance, the results of which are taken as references for future procurement.

2.4 Establish a leading role in the research and development of related components, actively integrate suppliers across the strait to obtain the best supply conditions in the market, and coordinate the supply terms with major suppliers.

3. The Supply Chain Management (SCM) cloud system is used to establish an information network with suppliers to timely grasp the material inventory status and the Management of future demand, so as to achieve the goal of reducing inventory Management costs and reducing the loss of sluggish inventory. The VMI inventory management tasks are performed by suppliers, and this shortens the lead time for the procurement of raw materials. Meanwhile, Inventory management through VMI mechanism can not only deepen the cooperation with suppliers, but also reduce the overstock of the whole supply chain, increase capital flow, improve operational flexibility, and cooperate with suppliers to prepare safety inventory mechanism, so as to enhance the competitive advantage of Accton.
4. The cloud big data technology is used to improve computing power, push the information to the supplier in real time, cooperate with the improvement of procurement, warehouse and production line, and achieve the JIT real-time material supply operation mode.

4.1 The production line imported intelligent material rack, and combined with the big data technology to push the information to the required operation unit in real time, so as to reduce the judgment time of personnel and shorten the pre-production time.

4.2 AI technology is used to import visual and decision-making system to help the factory reduce the misjudgment of quality personnel, improve the root cause analysis of defective products, and improve the yield rate of the production line. This technology adopts cloud and proximal computing power, which can be promoted to Accton supply chain at the same time to improve the quality of raw materials.

5. Invest in process automation and production capacity optimization, using cloud technology and AI computing technology to connect production machine groups and robots to enable automated feedback optimization, intelligent production, and reduce manpower to improve production quality and efficiency.

5.1 Automatic assembly and packaging line was introduced to the production line, which has saved manpower and improved productivity.

(4) Names of the customers accounting for more than 10% of Accton's total sales (purchase amount) in either of the most recent two years:

1. Information of Main Suppliers

Unit: NT$ Thousand

2018				2019				Current Year as of March 31, 2020			
Name	Amount	Proportion (%) in Net Annual Purchase Amount	Relation with Issuer	Name	Amount	Proportion (%) in Net Annual Purchase Amount	Relation with Issuer	Name	Amount	Proportion (%) in Net Annual Purchase Amount	Relation with Issuer
A	5,607,117	12%	None	A	5,142,297	10%	None	A	1,102,278	10%	None
Other	39,726,441	88%	None	Other	46,655,985	90%	None	Other	10,344,254	90%	None
Net sales	45,333,558	100%		Net sales	51,798,282	100%		Net sales	11,446,532	100%	

2. Information of Main Sellers

Unit: NT$ Thousand

2018				2019				Current Year as of March 31, 2020			
Name	Amount	Proportion (%) in Net Annual Sales	Relation with Issuer	Name	Amount	Proportion (%) in Net Annual Sales	Relation with Issuer	Name	Amount	Proportion (%) in Net Annual Sales	Relatio n with Issuer
A	7,759,419	18%	None	A	8,703,094	16%	None	A	2,641,919	23%	None
B	6,022,002	14%	None	B	7,597,166	14%	None	B	1,669,711	14%	None
C	5,444,103	13%	None	C	7,490,570	14%	None	C	1,048,982	9%	None
D	4,695,590	11%	None	D	6,800,332	12%	None	D	541,969	5%	None
Other	19,171,041	44%	None	Other	24,809,885	44%	None	Other	5,821,671	49%	None
Net Sales	43,092,155	100%		Net Sales	55,401,047	100%		Net Sales	11,724,252	100%	

(5) Table of production volume in the most recent two years

Unit: Thousand/Pcs(EA)

Year Capacity and Output Value Main Commodities(or Type)	2018			2019		
	Capacity	Output	Output Value	Capacity	Output	Output Value
Switch	2,915,138	2,884,173	26,342,303	2,754,673	2,727,126	30,262,700
Network application	1,394,418	1,368,997	5,246,144	2,478,904	2,454,115	7,993,482
Metro access switch	722,664	715,437	2,390,320	1,017,091	1,006,920	3,026,739
Broadband access	59,235	58,180	180,164	2,321	2,298	5,401
Wireless	1,431,311	1,412,924	2,005,267	1,309,451	1,296,356	1,688,556
Other	—	—	9,155	—	—	95,207
Total	6,522,766	6,439,711	36,173,353	7,562,440	7,486,815	43,072,086

(6) Sales volume in the most recent two fiscal years

Unit: Thousand/Pcs(EA)

Year / Sales Volume & Amount / Main Commodities(or Type)	2018				2019			
	Domestic Sales		Overseas Sales		Domestic Sales		Overseas Sales	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Switch	11,913	61,602	2,670,512	29,660,830	3,649	7,074	2,648,589	37,774,526
Network application	18,108	48,707	1,226,235	5,782,111	10,515	3,416	1,293,546	2,071,266
Metro access switch	357	1,157	832,403	3,470,013	579	13	995,941	4,060,558
Broadband access	16	34	57,679	60,363	353	213	2,305	11,056
Wireless	22,742	10,385	1,273,318	2,234,296	1,206	6,834	2,390,553	8,927,004
Other	—	28,966	—	1,733,691	—	9,262	—	2,529,825
Total	53,136	150,851	6,060,147	42,941,304	16,302	26,812	7,330,934	55,374,235

III. Number, average service years, average age and ratio of academic degree of the employees in the most recent two years

Year		2018	2019	Current Year as of March 31, 2020
Number of Employees	Manager or above	333	353	368
	Engineer	667	875	909
	Operator	588	1,313	1,292
Total		1,588	2,541	2,569
Average Age		37.77	35.97	35.96
Average Length of Service		6.05	4.40	4.55
Ratio of Academic Degree	Doctor	0.19	0.24	0.23
	Master	21.28	16.06	16.54
	Bachelor College	44.40 16.31	41.05 22.59	41.18 22.19
	High school	15.37	17.12	16.70
	Below Senior High School	2.46	2.95	2.57

IV. Environment Expenditures

(1) The total amount of losses (including compensation) and penalties incurred due to environment pollution in 2019 as of the date of publication of the Annual Report, and please indicate the countermeasures (including improvement measures) to be taken and possible expenditures to occur in the future: No environment pollution event occurred, which will be maintained continuously.

(2) Countermeasures

The production related to Accton's operating activities is not that which will cause air, water, poison or other heavy pollution to environment as specified by environment protection agency, instead, only wastes disposal plan needs to be made for it; The wastes disposal plan reported by Accton shall be approved by the Administrative Department of Hsinchu Science-based Industrial Park, in addition to which, Accton, from the year of 2015, cooperates with government in announcement actively, and sets a grade B wastes disposal technician who is responsible for business wastes removal and disposal, declares the output, storage, removal and disposal amount of the wastes arising from relevant businesses on line in accordance with relevant laws and regulations as well as the specification of environment protection agency, and entrusts the qualified factory licensed by environment protection agency to remove, dispose, and recycle wastes according to the method specified in waste disposal plan, and there's no penalty or loss occurred due to violation.

Accton continues to promote wastes separation, recycling and reduction, and cooperates with Tzu Chi to dispose resource recovery, so as to effectively achieve resources recycling and reuse as well as minimum wastes and realize global environment protection.

(3) In terms of calculation of CO2 emissions according to the power emission coefficient announced by Energy Bureau, the CO2 emission of the headquarter in Hsinchu in the past two years is checked by Accton itself in accordance with law based on Accton Technology Corporation's water and power consumption, with the statistical result stated below:

Unit: Ton

CO_2 Emission in the Past Two Years		
Year	Year 2018	2019
Annual CO_2 Emission	3,932 tons	4,569 tons
Note: Accton implements greenhouse gas reduction every year. Compared with 2018, the increase occurred in 2019 was mainly caused by the increase in production capacity. Accton is still aiming at reducing greenhouse gas emission and is moving towards this goal.		

(4) One of the key points for implementation of the environmental safety and health policy formulated by Accton is the undertaking to continuously promote resource recycling and reuse as well as industrial waste reduction.

At present, the relevant schemes for greenhouse gas reduction being implemented and planned are as follows:

1. Fully utilize electronic signing and approving procedures to reduce paper usage.
2. Strict manage the demands for power, as well as the lighting and air conditioning in idle areas.
3. Control air-conditioning equipment, and adjust the start-up of main ice and water equipment according to the actual room temperature and production in factory.
4. Set timing control for the exhaust and ventilation systems in basement.
5. Change air conditioning and air pressure systems into variable frequency controlled ones.
6. Plan for and change the LED lighting systems in different areas.
7. Update the air conditioning equipment with high energy consumption in different areas to increase energy efficiency and reduce loss.
8. Replace old power systems and cables to reduce energy consumption.

(5) Accton accepted the audit of TÜV SÜD, and completed the amended environment management system ISO 14001:2015 certification and obtained the revised certificate in July 2019; and it completed the external audit, which will be checked regularly, every year according procedures and stipulations.

V. Labor Relations

(1) Staff benefit measures, further education, training and retirement systems of the company and their implementation status, the agreement between employees and employer, and employees' rights and interests:

Since its establishment, in addition to allowing talents to bring their role into full play, Acctcon takes the most important responsibility to take care of employees and their families, with the hope to provide a worry-free working environment to allow employees to be devoted to their work, so as to increase the company's competitiveness. In addition to active implementation of humanistic management and various benefit measures, the company understands employee's thoughts and needs at any time through various channels for the purpose of achieving sufficient communication and solving problems effectively, so as to promote a harmonious relation between employer and employees. At present, relevant measures are as follows:

1. Benefit Measures and Their Implementation Condition

1) In addition to labor health insurance, pension payment and other general benefits provided to staff, Accton provides additional benefits, such as employee group insurance, accident insurance for families and major injury and scald insurances. Annual and holiday bonuses, bonus distribution, share subscription by senior employees, employee emergency assistance, marriage and funeral allowances, lunch allowance and dinner for free, staff dormitory, service by professional physician and nursing staff in the company, regular health check, sexual harassment prevention, health, culture and arts lectures, and other benefit measures.

2) Accton established Staff Benefit Committee in accordance with law to deal with the affairs related to staff benefits, and it formulates annual plan and budget every year for providing marriage, maternity, hospitalization, funeral and other allowances. In addition, it provides annual and holiday gifts and vouchers and birthday vouchers, and organizes for group activities and tours, garden travelling, club activities, ball games, physical competitions, movie packages and other activities.

3) For considering employee's needs for caring their children, the company established the first nursery and baby care center for the infants and young children from 2 months to 6 years old in Hsinchu Science-based Industrial Park, and arranged exclusive parking spaces for pregnant women and breastfeeding rooms, which enable employees having no worry about caring their children.

4) To express its positive values towards "family", the company provides "marriage allowance" to encourage employees to get marry, and the employees of the company married with each other are provided with 3,000 of allowance per month per person, i.e. 6,000 for each couple.

5) In terms of hardware facilities, there are 7-11 convenient supermarket and Mega Bank ATM to meet staff demands. In addition, there're self-owned staff restaurant and coffee shop, and exclusive leisure time room for employees to have sports during rest time or after work.

6) In order to care for employees, Accton will give warm care to any employee who is unable to work due to material sickness or injuries suffered by him/her that he/she may apply for leave for maximum 1 year with post and salary to be kept.

2. Implementation of Staff Further Education and Talents Training and Development

   Accton attaches great importance to the development and training of talents. The items of training provided by Accton are composed of six categories: new employees, specialties, work efficiency, quality, environment safety and management. Accton cultivates internal lecturers actively to create a learning organization culture, sets up exclusive training classroom - "Accton College" for substantive courses, and uses "Online Learning Management System (LMS)" to provide a faster and more convenient learning platform for its staff. Accton attaches great importance to the orientation training of frontline staffs and has established a specialized simulation training center. In 2019, trainings related to employee ethical behavior (including the prohibition of insider trading, ethical corporate management and corporate social responsibility) are provided to 2,482 trainees and included in the training for new employees, with a teaching hour of 0.5 and a total of 1,241 hours. Accton provides external training and training allowances with the maximum ratio of 100% depending on working needs; In order to improve language competitiveness, in addition to providing each employee with a fixed amount of allowance for foreign language training each year, language courses are held in Accton, so as to assist staff to improve their individual performance at work and team competitiveness.

3. Retirement System and Implementation

   Subject to basic labor law, Accton formulated the measures for employee retirement, and prepared and deposited old pension reserves in Central Trust of China in accordance with the law, and staff pension supervision committee was responsible for managing and applying such reserves. After implementation of new retirement system, the company also prepared and paid pension into each employee's pension account based on the rate of 6% in accordance with law, and asked employees that whether they are willing to pay pension, in a regular and public way.

4. Labor Contract

   Since its establishment, Accton was committed to establishing a harmonious atmosphere between employer and employees on mutual trust basis in terms of operation and management, and understood employee's satisfaction with management and benefit systems by taking advantage of various communication channels to enhance communication and reach consensus.

   1) Set up "Labor-Management Board" to hold meeting for electing staff representative with each tenure of four years to promote regular communication with staff representatives, so as to coordinate labor relation, promote the cooperation with employees and improve work efficiency.
   2) Held "Staff Meeting" from time to time to take employee's advices and communicate the opinions about the direction specified in the company's policies.
   3) Accton provides diversified feedback systems, including Bulletin Board System (BBS), corporate intranet (AccPortal) and physical mailboxes, to encourage employees to provide suggestions on the operational or management measures, so that the opinions and expectations of junior employees can be directly reflected to senior management, as a reference for continuous improvement and corporate governance.

(2) The loss arising from labor disputes in the most recent fiscal year up to the date of publication of the Annual Report: None

VI. Important Contracts

Nature of Contract	Party to Contract	Effectiveness & Termination Date	Main Contents	Restriction
Technical Contract	Industrial Technology Research Institute of Taiwan	February 1988 to (indefinite term)	Contract for license of local network and the technical data of industrial PC	None
Technical Contract	Industrial Technology Research Institute of Taiwan	September 1988 to (indefinite term)	License for the technology of high-performance graphic output system	None
Technical Contract	Industrial Technology Research Institute of Taiwan	September 1992 to (indefinite term)	SNMP Agent technology	None

VI. Financial Overview

I. Condensed Balance Sheet and Comprehensive Income Statement of the Most Recent Five Years

(1) International Financial Reporting Standards Adopted

Consolidated Condensed Balance Sheet Based on International Financial Reporting Standards

Unit: NT$ thousand

Year / Items		Financial Information of the Most Recent Five Years					Financial Information of Current Year as of March 31, 2020
		2015	2016	2017	2018	2019	
Current Assets		13,507,434	16,185,953	17,444,289	20,873,566	27,048,534	27,479,258
Property, Plant and Equipment		1,068,089	920,301	866,905	966,604	1,324,280	1,343,022
Intangible Assets		137,892	36,119	36,477	34,402	53,527	62,082
Other Assets		274,122	361,478	399,347	503,755	1,094,746	1,276,935
Total Assets		14,987,537	17,503,851	18,747,018	22,378,327	29,521,087	30,161,297
Current Liabilities	Before Distribution	6,781,857	8,638,433	9,068,148	12,068,256	15,237,848	14,529,837
	After Distribution	7,838,231	10,332,966	11,367,805	14,298,940	Not distributed yet	Not distributed yet
Non-current Liabilities		26,317	26,684	30,289	31,475	1,480,262	1,858,710
Total Liabilities	Before Distribution	6,808,174	8,665,117	9,098,437	12,099,731	16,718,110	16,388,547
	After Distribution	7,864,548	10,359,650	11,398,094	14,330,415	Not distributed yet	Not distributed yet
Equity Attributable to Owners of Parent Companies		8,171,824	8,812,437	9,641,807	10,271,902	12,800,387	13,770,072
Share Capital		5,369,759	5,454,429	5,544,949	5,575,899	5,580,514	5,585,154
Capital Reserve		654,795	725,710	776,739	795,148	805,715	807,664
Retained Earnings	Before Distribution	1,919,162	2,745,603	3,606,245	4,259,345	7,003,401	8,035,711
	After Distribution	862,788	1,051,070	1,306,588	2,028,661	Not distributed yet	Not Distributed yet
Other Equity		279,107	(62,306)	(235,127)	(307,491)	(538,244)	(607,458)
Treasury Stock		(50,999)	(50,999)	(50,999)	(50,999)	(50,999)	(50,999)
Non-controlling Equity		7,539	26,297	6,774	6,694	2,590	2,678
Total Equity	Before Distribution	8,179,363	8,838,734	9,648,581	10,278,596	12,802,977	13,772,750
	After Distribution	7,122,989	7,144,201	7,348,924	8,047,912	Not distributed yet	Not distributed yet

Note 1: Above-mentioned annual financial information has been audited by CPAs.

Note 2: At present, the regular meeting of Board of Shareholders has not been held yet to decide the distribution of earnings of 2019

Individual Condensed Balance Sheet Based on International Financial Reporting Standards

Unit: NT$ thousand

Year / Items		Financial Information of the Most Recent Five Years 2015	2016	2017	2018	2019	Financial Information of Current Year as of March 31, 2020
Current Assets		8,614,149	11,943,033	13,071,113	16,321,680	22,132,291	—
Property, Plant and Equipment		389,376	388,827	405,538	448,783	894,509	—
Intangible Assets		38,443	29,023	33,969	32,385	49,263	—
Other Assets		6,196,827	6,171,868	6,284,926	6,233,656	7,096,306	—
Total Assets		15,238,795	18,532,751	19,795,546	23,036,504	30,172,369	—
Current Liabilities	Before Distribution	6,979,786	9,626,427	10,126,860	12,736,445	15,945,706	—
	After Distribution	8,036,160	11,320,960	12,426,517	14,967,129	Not distributed yet	—
Non-current Liabilities		87,185	93,887	26,879	28,157	1,426,276	—
Total Liabilities	Before Distribution	7,066,971	9,720,314	10,153,739	12,764,602	17,371,982	—
	After Distribution	8,123,345	11,414,847	12,453,396	14,995,286	Not distributed yet	—
Share Capital		5,369,759	5,454,429	5,544,949	5,575,899	5,580,514	—
Capital Reserve		654,795	725,710	776,739	795,148	805,715	—
Retained Earnings	Before Distribution	1,919,162	2,745,603	3,606,245	4,259,345	7,003,401	—
	After Distribution	862,788	1,051,070	1,306,588	2,028,661	Not distributed yet	—
Other Equity		279,107	(62,306)	(235,127)	(307,491)	(538,244)	—
Treasury Stock		(50,999)	(50,999)	(50,999)	(50,999)	(50,999)	—
Total Equity	Before Distribution	8,171,824	8,812,437	9,641,807	10,271,902	12,800,387	—
	After Distribution	7,115,450	7,117,904	7,342,150	8,041,218	Not distributed yet	—

Note 1: Above-mentioned annual financial information has been audited by CPAs.

Note 2: At present, the regular meeting of Board of Shareholders has not been held yet to decide the distribution of earnings of 2019

Consolidated Condensed Statement of Comprehensive Income Based on International Financial Reporting Standards

Unit: NT$ Thousand

Year / Items	Financial Information of the Most Recent Five Years					Financial Information of Current Year as of March 31, 2020
	2015	2016	2017	2018	2019	
Operating Revenue	24,738,760	29,368,753	36,446,757	43,092,155	55,401,047	11,724,252
Gross Profit	4,691,971	6,006,003	7,186,035	7,780,097	10,998,762	2,262,585
Operating Income (Loss)	1,481,386	2,424,571	3,254,205	3,472,708	6,039,983	1,116,039
Non-operating Income and Expenses	1,518	67,403	(16,127)	225,031	89,662	175,382
Net Profit Before Tax	1,482,904	2,491,974	3,238,078	3,697,739	6,129,645	1,291,421
Current Net Profit from Continuing Operations Current Net Profit from Continuing Operations	1,165,935	1,887,499	2,554,529	2,952,181	4,949,572	1,032,374
Loss on Discontinued Operations	—	—	—	—	—	—
Net Profit (Loss) for the Period	1,165,935	1,887,499	2,554,529	2,952,181	4,949,572	1,032,374
Other Comprehensive Income (Net Value After Tax) for the Period	(43,987)	(346,649)	(177,759)	(74,110)	(209,689)	(69,190)
Total Comprehensive Income for the Period	1,121,948	1,540,850	2,376,770	2,878,071	4,739,883	963,184
Net Profit Attributable to Owners of Parent Companies	1,166,341	1,887,913	2,559,307	2,952,449	4,950,495	1,032,310
Net profit Attributable to Non-controlling Interests	(406)	(414)	(4,778)	(268)	(923)	64
Total Comprehensive Income Attributable to Owners of Parent Companies	1,122,127	1,541,402	2,382,354	2,878,151	4,743,987	963,096
Total Comprehensive Income Attributable to Non-controlling Interests	(179)	(552)	(5,584)	(80)	(4,104)	88
Earnings Per Share	2.19	3.51	4.68	5.33	8.91	1.86

Note 1: Above-mentioned annual financial information has been audited by CPAs.

Note 2: At present, the regular meeting of Board of Shareholders has not been held yet to decide the distribution of earnings of 2019

Individual Condensed Comprehensive Income Statement Based on International Financial Reporting Standards

Unit: NT$ Thousand

Year / Items	Financial Information of the Most Recent Five Years					Financial Information of Current Year as of March 31,2020
	2015	2016	2017	2018	2019	
Operating Revenue	19,785,330	26,160,977	34,024,675	41,218,729	49,953,689	—
Gross Profit	2,766,241	3,987,389	4,900,916	5,500,909	8,242,831	—
Operating Income (Loss)	840,535	1,649,726	2,186,698	2,391,699	4,604,977	—
Non-operating Income and Expenses	463,598	521,032	700,451	966,940	1,196,553	—
Net Profit Before Tax	1,304,133	2,170,758	2,887,149	3,358,639	5,801,530	—
Current Net Profit from Continuing Operations	1,166,341	1,887,913	2,559,307	2,952,449	4,950,495	—
Loss on Discontinued Operations	—	—	—	—	—	—
Net Profit (Loss) for the Period	1,166,341	1,887,913	2,559,307	2,952,449	4,950,495	—
Other Comprehensive Income (Net Value After Tax) for the Period	(44,214)	(346,511)	(176,953)	(74,298)	(206,425)	—
Total Comprehensive Income for the Period	1,122,127	1,541,402	2,382,354	2,878,151	4,743,987	—
Earnings Per Share	2.19	3.51	4.68	5.33	8.91	—

Note 1: Above-mentioned annual financial information has been audited by CPAs.

Note 2: At present, the regular meeting of Board of Shareholders has not been held yet to decide the distribution of earnings of 2019.

(II) Names and Audit Opinions of CPAs over the Most Recent Five Years

Year	Accounting Firm	Name of CPA	Audit Opinion
2015	Deloitte & Touche	Fang,Su-Li, Huang, Shu-Chieh	Unqualified Opinion
2016	Deloitte & Touche	Fang, Su-Li, Huang, Shu-Chieh	Unqualified Opinion
2017	Deloitte & Touche	Lin, Cheng-Chih, Huang,Yu-Feng	Unqualified Opinion
2018	Deloitte & Touche	Lin, Cheng-Chih, Huang,Yu-Feng	Unqualified Opinion
2019	Deloitte & Touche	Lin, Cheng-Chih, Huang,Yu-Feng	Unqualified Opinion

II. Financial Analysis of the Most Recent Five Years

(1) Consolidated Financial Analysis Based on International Financial Reporting Standards

Year / Analysis Items		Financial Analysis for the Most Recent Five Years					Current year as of March 31, 2020
		2015	2016	2017	2018	2019	
Financial Structure (%)	Debt Ratio	45.43	49.50	48.53	54.07	56.63	54.34
	Long-term Capital to Property, Plant and Equipment Ratio	765.79	960.42	1,112.99	1,063.37	1,036.31	1,108.07
Debt-paying Ability (%)	Current Ratio	199.17	187.37	192.37	172.96	177.51	189.12
	Quick Ratio	141.80	143.59	126.29	106.70	118.94	121.02
	Interest Coverage Ratio	2,107.40	-	55,829.93	1,311.33	336.17	170.92
Operatingn Ability	Receivables Turnover Ratio (Times)	6.73	7.62	7.10	6.12	7.41	6.98
	Average Collection Days	54.23	47.90	51.41	59.64	49.27	52.29
	Inventory Turnover Ratio (Times)	5.80	6.47	6.25	5.20	5.37	4.11
	Payables Turnover Ratio (Times)	3.94	4.08	4.64	4.69	4.75	3.92
	Average Inventory Turnover Days	62.93	56.41	58.40	70.19	67.95	88.80
	Property, Plant and Equipment Turnover Ratio (Times)	21.33	29.54	40.79	47.01	48.37	35.16
	Total Asset Turnover Ratio (Times)	1.70	1.81	2.01	2.10	2.13	1.57
Profitability	Return on Assets (%)	8.01	11.62	14.12	14.37	19.13	13.92
	Return on Equity (%)	14.82	22.18	27.69	29.63	42.90	31.08
	Net Profit Before Tax to Paid-up Capital Ratio (%)	27.62	45.69	58.40	66.32	109.84	92.49
	Net Profit Ratio (%)	4.71	6.43	7.02	6.85	8.94	8.80
	Earnings Per Share (NT$)	2.19	3.51	4.68	5.33	8.91	1.86
Cash Flow	Cash Flow Ratio (%)	28.76	42.25	(11.78)	17.03	56.51	(1.43)
	Cash Flow Adequacy Ratio (%)	67.70	98.76	41.76	34.46	51.81	40.77
	Cash Flow Reinvestment Ratio (%)	12.98	23.13	(22.89)	(1.91)	37.63	(1.13)
Leverage	Operating Leverage	2.97	2.29	2.07	2.13	1.83	2.17
	Financial Leverage	1.00	1.00	1.00	1.00	1.00	1.01

Explanation: Reasons for the changes in various financial ratios in the most recent two years (analysis is not required for the changes less than 20%)

1. Decrease in the interest coverage ratio: due to the increase in lease liabilities.
2. Increase in the turnover rate of receivables (times): due to the stringent monitoring of the account for the period.
3. Increase in profitability: due to the increase in business demands.
4. Increase in cash flow: due to the increase in cash inflow driven by the growth in revenue.

(2) Individual Financial Analysis Based on International Financial Reporting Standards

Year / Analysis Items		Financial Analysis of the Most Recent Five Years					Current year as of March 31, 2020
		2015	2016	2017	2018	2019	
Financial Structure (%)	Debt Ratio	46.37	52.45	51.29	55.41	57.58	—
	Long-term Capital to Property, Plant and Equipment Ratio	2,098.70	2,266.42	2,377.53	2,288.83	1,533.92	—
Debt-paying Ability (%)	Current Ratio	123.42	124.07	129.07	128.15	138.80	—
	Quick Ratio	102.78	106.63	98.94	98.51	106.38	—
	Interest Coverage Ratio	1,853.46	-	49,779.43	1,192.85	440.08	—
Operatingn Ability	Receivables Turnover Ratio (Times)	6.63	6.39	6.20	5.45	5.88	—
	Average Collection Days	55.03	57.12	58.89	66.99	62.09	—
	Inventory Turnover Ratio (Times)	12.90	14.77	12.54	10.65	9.58	—
	Payables Turnover Ratio (Times)	3.38	3.16	3.49	3.73	3.77	—
	Average Inventory Turnover Days	28.30	24.72	29.11	34.26	38.09	—
	Property, Plant and Equipment Turnover Ratio (Times)	49.81	67.23	85.67	96.49	74.38	—
	Total Asset Turnover Ratio (Times)	1.41	1.55	1.78	1.92	1.88	—
Profitability	Return on Assets (%)	8.33	11.18	13.35	13.80	18.65	—
	Return on Equity (%)	14.83	22.23	27.74	29.65	42.91	—
	Net Profit Before Tax to Paid-up Capital Ratio (%)	24.29	39.80	52.07	60.23	103.96	—
	Net Profit Ratio (%)	5.89	7.22	7.52	7.16	9.91	—
	Earnings Per Share (NT$)	2.19	3.51	4.68	5.33	8.91	—
Cash Flow	Cash Flow Ratio (%)	25.39	25.76	3.14	16.19	46.99	—
	Cash Flow Adequacy Ratio (%)	74.32	81.27	45.49	44.41	54.71	—
	Cash Flow Reinvestment Ratio (%)	12.95	14.43	(12.96)	(2.10)	34.31	—
Leverage	Operating Leverage	2.80	2.12	1.92	1.97	1.65	—
	Financial Leverage	1.00	1.00	1.00	1.00	1.00	—

Explanation: Reasons for the changes in various financial ratios in the most recent two years (analysis is not required for the changes less than 20%)

1. The increase in the ratio of long-term funds to the property, plant and equipment: due to the purchase of equipment required to expand the plant.
2. Decrease in interest coverage ratio: due to the increase in interest on lease liabilities.
3. Increase in the turnover rate (times) of property, plant and equipment: due to the increase in revenue.
4. Increase in profitability: due to the increase in business demands.
5. Increase in cash flow: due to the increase in cash inflow driven by the growth in revenue.

Note 1: Above-mentioned annual financial information has been audited by CPAs.

Note 2: As of the publication date of this annual report, any latest financial information of listed companies or those companies whose stocks are traded by security dealers that has been audited or reviewed by CPAs shall be analyzed as well.

Note 3: The following formulas should be presented at the end of the annual report.

1. Financial Structure
   (1) Debt Ratio = Total Liabilities / Total Assets
   (2) Long-term Capital to Property, Plant and Equipment Ratio = (Total Equity + Non-current Liabilities) / Net Property, Plant and Equipment
2. Debt-paying Ability
   (1) Current Ratio = Current Assets / Current Liabilities
   (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
   (3) Interest Coverage Ratio = Net Profit Before Tax and Interest / Interest Expenses.
3. Operating Ability
   (1) Receivables (including Accounts Receivable and Notes Receivable resulting from business operations) Turnover Ratio = Net Sales / Average Receivables (including Accounts Receivable and Notes Receivable resulting from business operations) of Periods
   (2) Average Collection Days = 365 / Receivables Turnover Ratio
   (3) Inventory Turnover Ratio = Cost of Sales / Average Inventory
   (4) Payables Turnover (including Accounts Payable and Notes Payable resulting from business operations) Ratio= Cost of Sales / Average Payables (including Accounts Payable and Notes Payable resulting from business operations) of Periods
   (5) Average Inventory Turnover Days = 365 / Inventory Turnover Ratio
   (6) Property, Plant, and Equipment Turnover Ratio = Net Sales / Average Net Property, Plant, and Equipment
   (7) Total Asset Turnover Ratio = Net Sales / Average Total Assets
4. Profitability
   (1) Return on Assets (ROA) = [Post-tax Profit or Loss + Interest Expenses × (1 - Tax Rate)] / Average Total Assets
   (2) Return on Equity = Post-tax Profit or Loss / Average Total Equity
   (3) Net Profit Margin = Post-tax Profit or Loss / Net Sales
   (4) Earnings Per Share = (Income Attributable to Owners of Parent Companies – Preference Dividend) / Weighted Average of Outstanding Shares (Note 4)
5. Cash Flow
   (1) Cash Flow Ratio = Net Cash Flow from Operating Activities / Current Liabilities
   (2) Net Cash Flow Adequacy Ratio = Net Cash Flow from Operating Activities of the Most Recent Five Years / (Capital Expenditures + Inventory Increase + Cash Dividend) of the Most Recent Five Years
   (3) Cash Reinvestment Ratio = (Net Cash Flow from Operating Activities – Cash Dividend) / (Gross Property, Plant and Equipment + Long-term Investment + Other Non-current Assets + Operating Capital). (Note 5)
6. Leverage:
   (1) Operating Leverage = (Net Operating Revenue - Variable Operating Costs and Expenses) / Operating Income (Note 6).
   (2) Financial Leverage = Operating Income / (Operating Income - Interest Expenses).

Note 4: Special attention shall be paid to the following matters when using the above calculation formula of Earning Per Share:

1. It shall subject to the Weighted Average Number of Ordinary Shares, instead of being based on the number of shares issued at the end of the year.
2. For capital increase by cash or transaction of treasury stock, its flowing period shall be considered for calculation of the Weighted Average Number of Shares
3. For capital transferred from surplus reserve or capital transferred from capital surplus, adjustment shall be made according to the ratio of increase for calculation of the Earnings Per Share of previous year and semi-year, without considering the issuance period of the increased capital.
4. If preferred stocks are non-convertible cumulative preferred stocks, their dividends of current year, distributed or not, shall be deducted from the Net Profit After Tax, or add Net Loss After Tax. If preferred shares are non-cumulative, their dividends shall be deducted from the Net

Profit After Tax (if any); while, in case of loss occurred to the company, it shall not be adjusted.

Note 5: Special attention shall be paid to the following matters upon measurement of Cash Flow analysis:

1. Net Cash Flow from Operating Activities refers to the net cash inflow from operating activities in Cash Flow Statement.
2. Capital Expenditure refers to the annual cash outflow from capital investment.
3. Increase in inventory shall be recorded only if ending balance is more than opening balance. If inventory decreases at the end of the year, it shall be recorded as zero.
4. Cash Dividends include the cash dividends of ordinary shares and preferred shares.
5. Gross property, Plant and Equipment refer to the total value of property, plant and equipment before accumulated depreciation is deducted.

Note 6: The issuer shall classify operating costs and operating expenses as fixed or variable according to their nature. If estimate or subjective judgment is involved, its appropriateness and consistency shall be maintained.

Note 7: If the Company's stock has no par value or par value per share is not NT$10, the calculation of ratio in paid-in capital shall be replaced with the calculation of the ratio of the equity attributable to the owners of parent companies as presented in Balance Sheet.

III. Audit Report for the Financial Statements of 2019 by Audit Committee

Accton Technology Corporation

2019 Audit Committee's Review Report

The Board of Directors has prepared and submitted Accton's 2019 business report, financial statements and earnings distribution table, among which the financial statements were audited and completed by the appointed Deloitte & Touche, and an audit report was issued. The above-mentioned business reports, financial statements and earnings distribution table have been examined by the Audit Committee and found to be consistent. Please review them in accordance with Article 14-4 of the Securities and Exchange Law and Article 219 of the Company Act.

Sincerely,

2020 Regular Meeting of Accton's Board of Shareholders

Convener of Audit Committee: Lin, Shiou-Ling

March 19, 2020

IV. Financial Statements of the Most Recent Year

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2019 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Accton Technology Corporation

By

Kuo Fai-Long
Chairman

March 19, 2020

INDEPENDENT AUDITORS’ REPORT

The Board of Directors and Shareholders
Accton Technology Corporation

Opinion

We have audited the accompanying consolidated financial statements of Accton Technology Corporation (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (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 Attestation of Financial Statements by Certified Public Accountants and 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 the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis 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 for the year ended December 31, 2019. 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.

The key audit matters identified in the Group’s consolidated financial statements for the year ended December 31, 2019 are stated as follows:

<u>Revenue recognition</u>

For the year ended December 31, 2019, the Group’s net operating revenue was NT$55,401,047 thousand. Refer to Notes 4 and 24 to the consolidated financial statements for detailed information on accounting policies on revenue.

The Group’s operating revenue in recent years have significantly impacted the consolidated financial statements for the year ended December 31, 2019. However, sales from some of the Group’s customers have grown significantly; therefore, we considered the occurrence of revenue as a key audit matter.

In response to the above key audit matter, we performed the following procedures:

1. We understood the internal control design and operating procedures regarding the sales transaction cycle, and we assessed the effectiveness of the internal control operations.

2. We obtained new client's information and inspected whether it was consistent with the system of the customer and was approved by the competent supervisor or not.

3. We selected appropriate samples from sales and inspected whether purchase orders and delivery orders were consistent with invoices or not.

4. We selected appropriate samples from accounts receivable and reviewed whether certificates of remittance and counterparties were consistent with the recorded amounts and counterparties and were approved by the competent supervisor or not.

5. We inspected and analyzed the reasonableness of sales returns and discounts in the subsequent period.

Other Matter

We have also audited the parent company only financial statements of the Group as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and 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 the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 the 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 the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 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 Cheng Chih Lin and Yu Feng Huang.

Deloitte & Touche

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 19, 2020

<u>*Notice to Readers*</u>

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with 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 applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 6,221,855	21	$ 4,295,816	19
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 32)	315,232	1	4,003	-
Financial assets at fair value through other comprehensive income - current (Notes 4, 8 and 32)	173,445	1	199,427	1
Financial assets at amortized cost - current (Notes 4, 9 and 32)	4,288,364	14	201,431	1
Notes and trade receivables, net (Notes 4, 5 and 10)	6,968,202	24	7,980,095	35
Trade receivables from related parties (Notes 4, 5 and 33)	2,858	-	5,558	-
Other receivables (Notes 4, 10 and 26)	143,217	-	177,064	1
Other receivables from related parties (Notes 4 and 33)	10,558	-	13,680	-
Inventories (Notes 4, 5 and 11)	8,716,933	30	7,814,290	35
Prepayments (Note 18)	183,710	1	161,725	1
Other current assets	24,160	-	20,477	-
Total current assets	27,048,534	92	20,873,566	93
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 32)	186,740	1	174,517	1
Financial assets at amortized cost (Notes 4, 9 and 32)	30,292	-	56,101	-
Investments accounted for using the equity method (Notes 4 and 13)	14,369	-	16,578	-
Property, plant and equipment (Notes 4 and 14)	1,324,280	5	966,604	5
Right-of-use assets (Notes 3, 4, 5 and 15)	610,721	2	-	-
Goodwill (Notes 4 and 16)	1,930	-	1,930	-
Intangible assets (Notes 4 and 17)	53,527	-	34,402	-
Deferred tax assets (Notes 4 and 26)	50,438	-	64,827	-
Prepayments for equipment	93,156	-	47,974	-
Refundable deposits	45,334	-	49,476	-
Other non-current assets (Notes 18 and 34)	61,766	-	92,352	1
Total non-current assets	2,472,553	8	1,504,761	7
TOTAL	$ 29,521,087	100	$ 22,378,327	100

	2019		2018	
LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Contract liabilities - current (Notes 4 and 24)	$ 592,137	2	$ 382,014	2
Trade payables	9,935,396	34	8,750,557	39
Bonuses to employees and directors (Note 25)	980,731	3	759,433	3
Payables to machinery and equipment	129,601	1	111,939	-
Other payables (Note 20)	2,587,222	9	1,190,506	5
Other payables to related parties (Note 33)	2,270	-	3,361	-
Current tax liabilities (Notes 4 and 26)	779,000	3	597,451	3
Provisions - current (Notes 4 and 21)	45,966	-	144,565	1
Lease liabilities - current (Notes 3, 4, 5 and 15)	129,095	-	-	-
Deferred revenue - current (Notes 19 and 29)	8,317	-	-	-
Refund liabilities - current (Notes 24)	48,113	-	128,430	1
Total current liabilities	15,237,848	52	12,068,256	54
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 19)	920,639	3	-	-
Lease liabilities - non-current (Notes 3, 4, 5 and 15)	471,466	2	-	-
Deferred revenue - non-current (Notes 19 and 29)	44,044	-	-	-
Net defined benefit liabilities - non-current (Notes 4 and 22)	27,433	-	28,606	-
Guarantee deposits	4,414	-	826	-
Other non-current liabilities	12,266	-	2,043	-
Total non-current liabilities	1,480,262	5	31,475	-
Total liabilities	16,718,110	57	12,099,731	54
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 23 and 28)				
Share capital				
Ordinary shares	5,580,514	19	5,575,899	25
Capital surplus	805,715	3	795,148	3
Retained earnings				
Legal reserve	1,348,157	4	1,052,912	5
Special reserve	307,492	1	253,675	1
Unappropriated earnings	5,347,752	18	2,952,758	13
Total retained earnings	7,003,401	23	4,259,345	19
Other equity	(538,244)	(2)	(307,491)	(1)
Treasury shares	(50,999)	-	(50,999)	-
Total equity attributable to owners of the Company	12,800,387	43	10,271,902	46
NON-CONTROLLING INTERESTS (Notes 4 and 23)	2,590	-	6,694	-
Total equity	12,802,977	43	10,278,596	46
TOTAL	$ 29,521,087	100	$ 22,378,327	100

The accompanying notes are an integral part of the consolidated financial statements.

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 24 and 33)	$ 55,401,047	100	$ 43,092,155	100
OPERATING COSTS (Notes 4, 11, 22 and 25)	44,402,285	80	35,312,058	82
GROSS PROFIT	10,998,762	20	7,780,097	18
OPERATING EXPENSES (Notes 4, 10, 22 and 25)				
Selling and marketing	1,521,790	3	1,305,246	3
General and administrative	1,446,130	3	1,178,782	3
Research and development	1,993,443	3	1,816,186	4
Expected credit (gain) loss	(2,584)	-	7,175	-
Total operating expenses	4,958,779	9	4,307,389	10
OPERATING INCOME	6,039,983	11	3,472,708	8
NON-OPERATING INCOME AND EXPENSES (Notes 4, 13, 25 and 33)				
Other income	223,874	-	149,697	1
Other gains and losses	(113,715)	-	80,008	-
Finance costs	(18,288)	-	(2,822)	-
Share of loss of associates	(2,209)	-	(1,852)	-
Total non-operating income and expenses	89,662	-	225,031	1
PROFIT BEFORE INCOME TAX	6,129,645	11	3,697,739	9
INCOME TAX EXPENSE (Notes 4 and 26)	1,180,073	2	745,558	2
NET INCOME FOR THE YEAR	4,949,572	9	2,952,181	7
OTHER COMPREHENSIVE INCOME (Notes 4, 22 and 23)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	539	-	(1,945)	-
Unrealized gain (loss) on investment in equity instruments at fair value through other comprehensive income	12,389	-	(20,074)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(222,617)	-	(52,091)	-
Other comprehensive loss for the year, net of income tax	(209,689)	-	(74,110)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 4,739,883	9	$ 2,878,071	7

(Continued)

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	$ 4,950,495	9	$ 2,952,449	7
Non-controlling interests	(923)	-	(268)	-
	$ 4,949,572	9	$ 2,952,181	7
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	$ 4,743,987	9	$ 2,878,151	7
Non-controlling interests	(4,104)	-	(80)	-
	$ 4,739,883	9	$ 2,878,071	7
EARNINGS PER SHARE (Note 27)				
Basic	$ 8.91		$ 5.33	
Diluted	$ 8.76		$ 5.23	

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company											
			Retained Earnings			Other Equity						
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2018	$ 5,544,949	$ 776,739	$ 797,395	$ 253,675	$ 2,555,175	$ (220,904)	$ (14,223)	$ -	$ (50,999)	$ 9,641,807	$ 6,774	$ 9,648,581
Effect of retrospective application and retrospective restatement	-	-	-	-	2,254	-	14,223	(14,234)	-	2,243	-	2,243
BALANCE AT JANUARY 1, 2018 RESTATED	5,544,949	776,739	797,395	253,675	2,557,429	(220,904)	-	(14,234)	(50,999)	9,644,050	6,774	9,650,824
Other changes in capital surplus												
Cash dividends received by subsidiaries from parent company	-	9,129	-	-	-	-	-	-	-	9,129	-	9,129
Appropriation of 2017 earnings												
Legal reserve	-	-	255,517	-	(255,517)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	(2,299,658)	-	-	-	-	(2,299,658)	-	(2,299,658)
Net profit (loss) for the year ended December 31, 2018	-	-	-	-	2,952,449	-	-	-	-	2,952,449	(268)	2,952,181
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	(1,945)	(52,279)	-	(20,074)	-	(74,298)	188	(74,110)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	2,950,504	(52,279)	-	(20,074)	-	2,878,151	(80)	2,878,071
Share-based payment arrangements	30,950	9,280	-	-	-	-	-	-	-	40,230	-	40,230
BALANCE AT DECEMBER 31, 2018	5,575,899	795,148	1,052,912	253,675	2,952,758	(273,183)	-	(34,308)	(50,999)	10,271,902	6,694	10,278,596
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	23,717	-	-	(23,717)	-	-	-	-
Other changes in capital surplus												
Cash dividends received by subsidiaries from parent company	-	8,836	-	-	-	-	-	-	-	8,836	-	8,836
Appropriation of 2018 earnings												
Legal reserve	-	-	295,245	-	(295,245)	-	-	-	-	-	-	-
Special reserve	-	-	-	53,817	(53,817)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(2,230,684)	-	-	-	-	(2,230,684)	-	(2,230,684)
Net profit (loss) for the year ended December 31, 2019	-	-	-	-	4,950,495	-	-	-	-	4,950,495	(923)	4,949,572
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	528	(219,425)	-	12,389	-	(206,508)	(3,181)	(209,689)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	4,951,023	(219,425)	-	12,389	-	4,743,987	(4,104)	4,739,883
Share-based payment arrangements	4,615	1,731	-	-	-	-	-	-	-	6,346	-	6,346
BALANCE AT DECEMBER 31, 2019	$ 5,580,514	$ 805,715	$ 1,348,157	$ 307,492	$ 5,347,752	$ (492,608)	$ -	$ (45,636)	$ (50,999)	$ 12,800,387	$ 2,590	$ 12,802,977

The accompanying notes are an integral part of the consolidated financial statements.

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 6,129,645	$ 3,697,739
Adjustments for:		
Depreciation	508,342	266,499
Amortization	30,980	26,979
Expected credit (gain) loss	(2,584)	7,175
Net loss on fair value changes of financial assets designated as at fair value through profit or loss	19,529	58,510
Finance costs	18,288	2,822
Interest income	(99,913)	(69,916)
Dividend income	(8,937)	(9,904)
Share of loss of associates	2,209	1,852
(Gain) loss on disposal of property, plant and equipment	(436)	665
(Gain) loss on disposal of subsidiaries	(3,337)	3,140
Write-downs of inventories	28,819	53,909
Unrealized loss (gain) on foreign currency exchange	11,749	(124,062)
Loss on lease modification	231	-
Changes in operating assets and liabilities		
Notes and trade receivables	931,985	(1,856,114)
Trade receivables from related parties	2,729	(5,531)
Other receivables	46,130	(62,219)
Other receivables from related parties	3,122	2,493
Inventories	(931,462)	(2,089,386)
Prepayments	(22,747)	(12,835)
Other current assets	(3,683)	40,468
Contract liabilities	210,123	135,073
Trade payables	1,293,711	2,427,447
Other payables	1,629,723	321,849
Other payables to related parties	(1,091)	3,361
Provisions	(98,575)	135,882
Refund liabilities	(80,317)	(40,341)
Net defined benefit liabilities	(634)	(785)
Cash generated from operations	9,613,599	2,914,770
Interest paid	(18,227)	(2,822)
Income tax paid	(984,135)	(857,093)
Net cash generated from operating activities	8,611,237	2,054,855
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(1,041)	-
Proceeds from sale of financial assets at fair value through other comprehensive income	35,857	-
Purchase of financial assets at amortized cost	(4,454,449)	(407,621)
Proceeds from sale of financial assets at amortized cost	392,904	1,251,374

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ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
Purchase of financial assets at fair value through profit or loss	$ (2,749,929)	$ (1,507,599)
Proceeds from sale of financial assets at fair value through profit or loss	2,434,334	1,477,641
Increase in prepayments for investment	-	(27,386)
Net cash outflow on disposal of subsidiaries	(45)	-
Acquisition of property, plant and equipment	(779,197)	(346,071)
Proceeds from disposal of property, plant and equipment	3,350	3,307
Decrease (increase) in refundable deposits	3,896	(19,831)
Acquisition of intangible assets	(50,261)	(24,900)
Proceeds from disposal of intangible assets	82	-
Decrease (increase) in other financial assets	4,556	(8,536)
Interest received	87,821	73,816
Dividends received	8,937	9,904
Net cash generated (used in) from investing activities	(5,063,185)	474,098
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	100,000	-
Repayments of short-term borrowings	(100,000)	-
Proceeds from long-term borrowings	1,073,000	-
Repayments of long-term borrowings	(100,000)	-
Decrease (increase) in guarantee deposits	3,658	(14)
Repayments of the principal portion of lease liabilities	(145,216)	-
Dividends paid to owners of the Company	(2,221,848)	(2,290,529)
Employee share options	6,346	40,230
Net cash used in financing activities	(1,384,060)	(2,250,313)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(237,953)	73,072
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,926,039	351,712
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	4,295,816	3,944,104
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 6,221,855	$ 4,295,816

The accompanying notes are an integral part of the consolidated financial statements.

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Accton Technology Corporation (the “Company”) was incorporated in Hsinchu Science-based Industrial Park in February 1988. The Company develops, manufactures and sells innovative high-quality products for computer network systems and wireless land area network (LAN) hardware and software products and renders related technical consulting and engineering design services.

The Company’s shares has been listed on the Taiwan Stock Exchange since November 1995.

The functional currency of the Company is the New Taiwan dollar. For greater comparability and consistency of financial reporting, the consolidated financial statements of the Company and its subsidiaries (referred to as the “Group”) are presented in New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 19, 2020.

3. APPLICATION OF NEW AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies:

1) IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

<u>Definition of a lease</u>

The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Except for the following practical expedients which are to be applied, the Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

a) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

c) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

d) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

The lessee's weighted average incremental borrowing rate used by the Company to calculate lease liabilities recognized on January 1, 2019 is 1.94%. The reconciliation between the lease liabilities recognized and the future minimum lease payments of non-cancellable operating lease on December 31, 2018 is presented as follows:

The future minimum lease payments of non-cancellable operating lease on December 31, 2018	$ 345,877
Less: Recognition exemption for short-term leases	(44,352)
Undiscounted gross amounts on January 1, 2019	$ 301,525
Discounted using the incremental borrowing rate on January 1, 2019	$ 270,490
Add: Adjustments as a result of a different treatment of extension options	200,233
Lease liabilities recognized on January 1, 2019	$ 470,723

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Right-of-use assets	$ -	$ 471,570	$ 471,570
Prepayments for leases - current	161,725	(847)	160,878
Total effect on assets	$ 161,725	$ 470,723	$ 632,448
Lease liabilities - current	$ -	$ 109,567	$ 109,567
Lease liabilities - non-current	-	361,156	361,156
Total effect on liabilities	$ -	$ 470,723	$ 470,723

2) IFRIC 23 "Uncertainty over Income Tax Treatments"

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority has full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Group expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

3) Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Group applied the above amendments prospectively.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	Effective Date Announced by the IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the cost on initial recognition of an investment in an associate or a joint venture.

For details on the subsidiaries included in the consolidated financial statements, refer to Note 12 and table 7 and 8 following the Notes section.

e. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the functional currencies (including subsidiaries and associates in other countries that use currency different from the currency of the Company) are translated into the presentation currency - the New Taiwan dollar as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Group and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e., a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is included in the calculation of equity transactions but is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date. Inventory is evaluated and recorded with standard cost under daily operation; but on the closing date, the Group will calculate the actual cost of inventory by weighted average method.

g. Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investment in associates. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates attributable to the Group.

When the Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

h. Property, plant, and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Depreciation on property, plant, and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

i. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units").

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

j. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is derecognized in profit or loss.

k. Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 32.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets, including cash and cash equivalents, notes and trade receivables (include related parties), other receivables (include related parties), time deposits with original maturity of more than 3 months, pledged time deposits and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Fair value is determined in the manner described in Note 32.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

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

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Group's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

m. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Warranties

Provisions for the expected cost of warranty obligations to assure that products comply with agreed-upon specifications are recognized on the date of sale of the relevant products at the best estimate by the management of the Group of the expenditures required to settle the Group's obligations.

n. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied. The advanced payments for sales of products are recognized as contract liabilities until the Group fulfills its performance obligations.

Revenue from the sale of goods

Revenue from the sale of goods comes from sales of network communication equipment. Based on the different trading conditions of the network communication equipment, sales of goods are recognized as revenue when they are delivered to the customer's specific location and the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. When the customer initially purchases the goods, the transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

o. Leasing

2019

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

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Group, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

2018

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

p. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Current service cost and net interest on the net defined benefit liability are recognized as employee benefit expenses in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability represents the actual deficit in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

r. Share-based payment arrangements

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in non-controlling interests. It is recognized as an expense in full at the grant date if vesting immediately.

At the end of each reporting period, the Group revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options.

s. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

t. Treasury Shares

Repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

The Group records its shares held by its subsidiaries as treasury shares. The recorded costs of treasury shares are based upon the carrying values of the shares as shown in the subsidiaries' books. The cash dividends received by the subsidiaries from the Company are recorded under capital surplus - treasury shares.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

a. Estimated impairment of financial assets

The provision for impairment of trade receivables, investments in debt instruments, and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

c. Lessees' incremental borrowing rates

In determining a lessee's incremental borrowing rate used in discounting lease payments, a risk-free rate for the same currency and relevant duration is selected as a reference rate, and the lessee's credit spread adjustments and lease specific adjustments (such as asset type, secured position, etc.) are also taken into account.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Cash on hand	$ 1,417	$ 1,736
Checking accounts and demand deposits	4,214,516	2,233,318
Cash equivalents		
Time deposits with original maturities of less than 3 months	2,005,922	2,060,762
	$ 6,221,855	$ 4,295,816

The market rate intervals of cash in bank and bank overdrafts at the end of the reporting period were as follows:

	December 31	
	2019	2018
Bank balance	0.001%-2.330%	0.0001%-3.300%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	2018
Financial assets at FVTPL - current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	$ 315,232	$ 4,003
Financial assets at FVTPL - non-current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic and foreign unlisted shares	$ 186,740	$ 174,517

(1)

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2019	2018
Current		
Domestic and foreign investments		
Listed shares and emerging market shares	$ 173,445	$ 199,427

These investments in equity instruments are not held for trading. Instead, they are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2019	2018
Current		
Time deposits with original maturity of more than 3 months (a)	$ 4,262,976	$ 201,431
Bond investment (b)	25,388	-
	$ 4,288,364	$ 201,431
Non-current		
Bond investment (b)	$ 30,292	$ 56,101

a. The ranges of interest rates for time deposits with original maturities of more than 3 months were 0.25%-2.37% and 0.19%-2.30% per annum as of December 31, 2019 and 2018, respectively.

b. In November 2016, the Group bought corporate bonds issued by Industrial & Commercial Bank of China Limited - Dubai at face value of $300 thousand, which will expire on May 26, 2020, with an effective interest rate of 2.18%.

In October 2016, the Group bought corporate bonds issued by Industrial and Commercial Bank of China Limited, New York Branch at face value of $500 thousand, which will expire on November 13, 2020, with an effective interest rate of 2.24%.

In November 2016, the Group bought corporate bonds issued by HSBC Holdings PLC, at face value of $480 thousand, which will expire on March 8, 2021, with an effective interest rate of 2.42%.

In November 2016, the Group bought corporate bonds issued by HSBC Holdings PLC, at face value of $470 thousand, which will expire on March 8, 2021, with an effective interest rate of 2.35%.

Refer to Note 32 for information relating to their credit risk management and impairment.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2019	2018
Notes receivable		
Notes receivable - operating	$ 3,667	$ 4,807
Trade receivables		
At amortized cost		
Gross carrying amount	$ 6,991,505	$ 8,013,477
Less: Allowance for impairment loss	(26,970)	(38,189)
	$ 6,964,535	$ 7,975,288

(Continued)

	December 31	
	2019	2018
Other receivables		
At amortized cost		
Gross carrying amount	$ 146,263	$ 180,110
Less: Allowance for impairment loss	(3,046)	(3,046)
	$ 143,217	$ 177,064

(Concluded)

a. Trade receivables

The average credit period for sales of goods was 30 days, but some customers have credit period of 45 to 90 days after the end of the month. No interest was charged on trade receivables. Sufficient collateral was obtained, where appropriate, as a means of mitigating the risk of financial loss from default. Allowance for impairment loss was recognized against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of counterparties and analysis of their current financial position.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected credit loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtors’ current financial position, adjusted for factors general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. The Group estimates expected credit losses based on the number of days for which receivables are past due. As the Group’s historical credit loss experience shows significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status of receivables is not further distinguished according to the Group’s different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery of the receivable. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

December 31, 2019

	Not Past Due	Less than 60 Days	61 to 180 Days	Over 180 Days	Total
Gross carrying amount	$ 6,625,260	$ 321,539	$ 21,266	$ 23,440	$ 6,991,505
Loss allowance (Lifetime ECL)	-	(757)	(2,773)	(23,440)	(26,970)
Amortized cost	$ 6,625,260	$ 320,782	$ 18,493	$ -	$ 6,964,535

December 31, 2018

	Not Past Due	Less than 60 Days	61 to 180 Days	Over 180 Days	Total
Gross carrying amount	$ 7,260,703	$ 675,673	$ 46,863	$ 30,238	$ 8,013,477
Loss allowance (Lifetime ECL)	(5,643)	(515)	(1,793)	(30,238)	(38,189)
Amortized cost	$ 7,255,060	$ 675,158	$ 45,070	$ -	$ 7,975,288

The movements of the loss allowance of trade receivables were as follows:

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 38,189	$ 344,294
Add: Amounts recovered	(2,584)	7,175
Less: Amounts written off	(8,399)	(313,081)
Foreign exchange gains and losses	(236)	(199)
Balance at December 31	$ 26,970	$ 38,189

b. Other receivables

The average credit period for sales of goods was 30 days, and some customers have credit period of 30 to 45 days after the end of the month. No interest was charged on other receivables. Sufficient collateral was obtained, where appropriate, as a means of mitigating the risk of financial loss from default. The Group uses other publicly available financial information or its own trading records to rate its major customers.

The movements of the loss allowance of other receivables were as follows:

	For the Year Ended December 31	
	2019	**2018**
Balance at January 1 and December 31	$ 3,046	$ 3,046

As of December 31, 2019 and 2018, the amount of allowance losses did not include individual impairment of other receivables that were subject to risk control due to tight cash flow from customers.

11. INVENTORIES

	December 31	
	2019	**2018**
Merchandise	$ 2,457,804	$ 2,587,705
Finished goods	1,489,209	1,482,996
Work in process	550,780	406,857
Raw materials	4,219,140	3,336,732
	$ 8,716,933	$ 7,814,290

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was $44,402,285 thousand and $35,312,058 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 included inventory write-downs of $28,819 thousand and $53,909 thousand.

12. SUBSIDIARIES INCLUDED IN CONSOLIDATED FINANCIAL STATEMENTS

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Investor	Investee	Main Business	% of Ownership December 31 2019	% of Ownership December 31 2018	Remark
Accton	Accton Century Holding (BVI) Co., Ltd. ("Accton Century")	Investment holding company	100%	100%	-
	Edgecore Networks Corp. ("Edgecore Networks")	Research, development, design, manufacture and selling of switching hubs	100%	100%	-
	Edgecore USA Corp. (Edgecore USA)	Sell high-quality LAN hardware and software products	100%	-	Note 1
	SMC Networks Inc. (SMC USA)	Sale of network products	100%	100%	-
	Accton Investment Corp. (BVI) ("Accton Investment")	Investment holding company	100%	100%	-
	Accton Technology (China) Co., Ltd. ("Accton China")	Investment holding company	100%	100%	-
	Accton Technology Corp. (USA) ("Accton USA")	Service of technique of high-quality LAN hardware and software products	100%	100%	-
	Accton Logistics Corp. (USD) ("AL")	Selling and marketing of high-quality LAN hardware and software products	100%	100%	-
	Nocsys Inc. (Nocsys)	Investment holding company	100%	100%	-
	E-Direct Corp. ("E-Direct")	Provides services in information software an information technology	100%	100%	-
	WayStorm Co. Ltd. ("WayStorm")	Provides cell phone software	-	28%	Note 2
	Metalligence Technology Corp. ("Metalligence")	Provides e-commerce apps, information software and advertising services	100%	100%	-
	4ipnet, Inc.	Research, development, manufacture and selling of wireless products and solutions for enterprises	98%	98%	-
Accton Century	Accton Asia Investment Corp. ("Accton Asia")	Investment holding company	100%	100%	-
Accton Asia	Joy Technology (Shenzhen) Co., Ltd. ("Joy Tech.")	Selling and producing of high-end network switches	100%	100%	-
Accton China	Accton Technology Co., Ltd. ("Accton SH")	Sale of network products.	100%	100%	-
Edgecore Networks	SMC Networks Spain, S.L. ("SMC Spain")	Sale of network products	-	100%	Note 3
	Edgecore Networks Singapore Pet Ltd. ("Edgecore Singapore")	Sell high-quality LAN hardware and software products	100%	100%	-
	Edgecore Cayman Corp. ("Edgecore Cayman")	Investment holding company	100%	100%	-
	Horwood Limited ("Horwood")	Investment holding company	100%	100%	-
	ATAN Networks Co., Ltd. ("ATAN")	Sale of network products	100%	-	Note 4
Edgecore Cayman	Edgecore USA Corp. (Edgecore USA)	Sell high-quality LAN hardware and software products	-	100%	Note 1
	Edgecore Americas Networking Corp. (Edgecore Americas)	Sell high-quality LAN hardware and software products	100%	100%	-
Edgecore Singapore	Accton Technology Vietnam Company Limited ("Accton Vietnam")	Sale of network products	100%	100%	-
Horwood	ATAN Networks Co., Ltd. ("ATAN")	Sale of network products	-	100%	Note 4
E-Direct	WayStorm	Provides cell phone software	-	62%	Note 2
SMC USA	IgniteNet EU ("IgniteNet")	Research on high-quality LAN hardware and software products	-	100%	Note 5

Note 1: In August 2019, in order to reorganize the Group's organizational structure, Accton Technology Corporation acquired 100% of Edgecore USA Corporation's shares which were held by Edgecore Cayman Corporation.

Note 2: In April 2019, WayStorm Co. Ltd completed its liquidation procedures.

Note 3: In August 2019, SMC Networks Spain, S.L. completed its liquidation procedures.

Note 4: In September 2019, in order to reorganize the Group's organizational structure, Edgecore Networks Corporation acquired 100% of ATAN Networks Co., Ltd.'s 100% shares which were held by Horwood Limited.

Note 5: In November 2019, IgniteNet EU completed its liquidation procedures.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2019	2018
Associates that are not individually material	$ 14,369	$ 16,578

As the end of the reporting period, the proportion of ownership and voting rights in associates held by the Group were as follows:

Name of Associate	Main Business	Location	December 31 2019	December 31 2019
Alpha Telecom, Inc.	Sale and manufacture of communication transmission, VoIP and IDSN equipment	USA	30%	30%
Oenix Biomed Co., Ltd.	Research and development of health care services and equipment	Taipei	40%	40%

The Group recognized impairment loss on Alpha Telecom, Inc.

On November 28, 2018, Yang-Ming Innovation & Incubation Limited approved the change of its company name to Oenix Biomed.

14. PROPERTY, PLANT AND EQUIPMENT

a. Assets used by the Group - 2019

	Buildings	Machinery and Equipment	Molding Equipment	Testing Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Total
Cost									
Balance at January 1, 2019	$ 386,092	$ 1,699,061	$ 300,811	$ 469,845	$ 43,086	$ 162,993	$ 223,954	$ 188,184	$ 3,474,026
Additions	6,534	462,132	74,632	44,299	63	23,106	88,796	52,865	752,427
Reductions	(619)	(29,036)	(31,897)	(37,613)	(797)	(17,719)	(6,612)	(4,048)	(128,341)
Effect of foreign currency exchange differences	-	(58,220)	(3,222)	(582)	(248)	(2,171)	(8,517)	(5,658)	(78,618)
Balance at December 31, 2019	$ 392,007	$ 2,073,937	$ 340,324	$ 475,949	$ 42,104	$ 166,209	$ 297,621	$ 231,343	$ 4,019,494
Accumulated depreciation									
Balance at January 1, 2019	$ 231,593	$ 1,272,855	$ 222,629	$ 366,665	$ 29,571	$ 127,486	$ 159,716	$ 96,907	$ 2,507,422
Additions	21,871	173,218	34,820	35,898	4,189	20,530	50,250	31,666	372,442
Reductions	(619)	(27,023)	(31,588)	(37,596)	(722)	(17,377)	(6,476)	(4,026)	(125,427)
Effect of foreign currency exchange differences	-	(45,522)	(2,665)	(523)	(162)	(1,518)	(6,096)	(2,737)	(59,223)
Balance at December 31, 2019	$ 252,845	$ 1,373,528	$ 223,196	$ 364,444	$ 32,876	$ 129,121	$ 197,394	$ 121,810	$ 2,695,214
Carrying amounts at December 31, 2019	$ 139,162	$ 700,409	$ 117,128	$ 111,505	$ 9,228	$ 37,088	$ 100,227	$ 109,533	$ 1,324,280

b. 2018

	Buildings	Machinery and Equipment	Molding Equipment	Testing Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Total
Cost									
Balance at January 1, 2018	$ 365,199	$ 1,560,663	$ 271,886	$ 456,120	$ 45,885	$ 171,143	$ 232,097	$ 158,233	$ 3,261,226
Additions	21,116	184,683	34,836	70,086	1,220	13,720	9,032	41,781	376,474
Reductions	(223)	(26,016)	(4,725)	(56,092)	(3,925)	(21,481)	(13,344)	(10,808)	(136,614)
Effect of foreign currency exchange differences	-	(20,269)	(1,186)	(269)	(94)	(389)	(3,831)	(1,022)	(27,060)
Balance at December 31, 2018	$ 386,092	$ 1,699,061	$ 300,811	$ 469,845	$ 43,086	$ 162,993	$ 223,954	$ 188,184	$ 3,474,026
Accumulated depreciation									
Balance at January 1, 2018	$ 214,236	$ 1,192,545	$ 193,431	$ 395,574	$ 29,128	$ 127,043	$ 158,862	$ 83,502	$ 2,394,321
Additions	17,580	122,934	34,460	27,384	4,382	21,510	16,342	21,907	266,499
Reductions	(223)	(25,636)	(4,725)	(56,092)	(3,925)	(21,149)	(12,995)	(7,897)	(132,642)
Effect of foreign currency exchange differences	-	(16,988)	(537)	(201)	(14)	82	(2,493)	(605)	(20,756)
Balance at December 31, 2018	$ 231,593	$ 1,272,855	$ 222,629	$ 366,665	$ 29,571	$ 127,486	$ 159,716	$ 96,907	$ 2,507,422
Carrying amounts at December 31, 2018	$ 154,499	$ 426,206	$ 78,182	$ 103,180	$ 13,515	$ 35,507	$ 64,238	$ 91,277	$ 966,604

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings	2-56 years
Machinery and equipment	1-10 years
Molding equipment	2-5 years
Testing equipment	2-8 years
Transportation equipment	3-10 years
Office equipment	1-8 years
Leasehold improvements	1-10 years
Other equipment	1-10 years

The buildings held by the Group that consisted of main buildings, electric equipment and construction, are depreciated over their estimated useful lives of 56 years and 9-22 years, respectively, using the straight-line method.

The above items of property, plant and equipment were not used as collateral.

15. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Land	$ 138,895
Buildings	471,640
Transportation equipment	186
	$ 610,721

	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 280,596
Depreciation charge for right-of-use assets	
Land	$ 4,888
Buildings	130,916
Transportation equipment	96
	$ 135,900

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 129,095
Non-current	$ 471,466

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Land	2.80%
Buildings	1.35%-5.33%
Transportation equipment	3.93%

The Group also leases land and buildings for the use of plants and offices with lease terms of 5 to 29 years. The lease contract for land located in Republic of China specifies that lease payments will be adjusted on the basis of changes in announced land value prices. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 48,643
Total cash outflow for leases	$ 207,870

The Group leases certain office equipment and other assets which qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

2018

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

	December 31, 2018
Not later than 1 year	$ 135,027
Later than 1 year and not later than 5 years	175,059
Later than 5 years	35,791
	$ 345,877

16. GOODWILL

	For the Year Ended December 31	
	2019	2018
Cost		
Balance at January 1 and December 31	$ 1,930	$ 1,930

The Group has not recognized the impairment loss of the recoverable amount of the assessed goodwill in 2019 and 2018.

17. INTANGIBLE ASSETS

	Patent Royalties	Computer Software	Patent	Other Deferred Charges	Total
Cost					
Balance at January 1, 2019	$ 4,736	$ 71,973	$ 4,860	$ 3,544	$ 85,113
Additions	-	50,261	-	-	50,261
Reductions	-	(30,003)	-	(1,630)	(31,633)
Effect of foreign currency exchange differences	(21)	(131)	21	60	(191)
Balance at December 31, 2019	$ 4,715	$ 92,100	$ 4,881	$ 1,854	$ 103,550
Accumulated amortization					
Balance at January 1, 2019	$ 4,736	$ 39,921	$ 3,863	$ 2,191	$ 50,711
Additions	-	29,425	630	925	30,980
Reductions	-	(29,921)	-	(1,630)	(31,551)
Effect of foreign currency exchange differences	(21)	(57)	21	(60)	(117)
Balance at December 31, 2019	$ 4,715	$ 39,368	$ 4,514	$ 1,426	$ 50,023
Carrying amounts at December 31, 2019	$ -	$ 52,732	$ 367	$ 428	$ 53,527
Cost					
Balance at January 1, 2018	$ 4,747	$ 64,059	$ 5,398	$ 1,508	$ 75,712
Additions	-	22,844	-	2,056	24,900
Reductions	-	(14,858)	(526)	-	(15,384)
Effect of foreign currency exchange differences	(11)	(72)	(12)	(20)	(115)
Balance at December 31, 2018	$ 4,736	$ 71,973	$ 4,860	$ 3,544	$ 85,113
Accumulated amortization					
Balance at January 1, 2018	$ 4,064	$ 30,201	$ 3,531	$ 1,439	$ 39,235
Additions	682	24,656	870	771	26,979
Reductions	-	(14,858)	(526)	-	(15,384)
Effect of foreign currency exchange differences	(10)	(78)	(12)	(19)	(119)
Balance at December 31, 2018	$ 4,736	$ 39,921	$ 3,863	$ 2,191	$ 50,711
Carrying amounts at December 31, 2018	$ -	$ 32,052	$ 997	$ 1,353	$ 34,402

The above items of intangible assets are amortized on a straight-line basis over the estimated useful lives as follows:

Patent royalties	2-10 years
Computer software	2-8 years
Patents	5-8 years
Other deferred charges	2-10 years

The above items of intangible assets were not used as collateral.

18. PREPAYMENTS AND OTHER ASSETS

	December 31	
	2019	2018
Current		
Prepayments		
Excess VAT paid	$ 106,583	$ 63,215
Prepayments for software maintenance fee	31,443	35,107
Prepayments for purchases	1,567	11,113
Other	44,117	52,290
	$ 183,710	$ 161,725
Non-current		
Others Assets		
Pledged time deposits (Note 34)	$ 22,000	$ 26,556
Prepayment for investment	-	27,386
Other	39,766	38,410
	$ 61,766	$ 92,352

19. BORROWINGS

Long-term borrowings

The borrowings of the Group are as follows:

	Maturity Date	Significant Covenant	December 31 2019	December 31 2018
Unsecured bank borrowings	2026.06.15	From June 2022, 49 monthly payments of principal and interest	$ 806,000	$ -
Unsecured bank borrowings	2026.05.09	From June 2022, 47 monthly payments of principal and interest	100,000	-
Unsecured bank borrowings	2026.04.15	From June 2022, 47 monthly payments of principal and interest	67,000	-
			973,000	-
Less: Deferred revenue (Note 29)			(52,361)	-
Long-term borrowings			$ 920,639	$ -

The intervals of effective borrowing rates as of December 31, 2019 were 0.10%-0.15%.

The loan agreements require the maintenance of a current ratio, debt ratio, and interest coverage ratio based on the Group’s annual consolidated financial statements. For the year ended December 31, 2019, the Group had met the financial ratio covenants.

20. OTHER LIABILITIES

	December 31 2019	December 31 2018
Current		
Other payables		
Temporary receipts from customers	$ 1,020,782	$ -
Payable for bonuses	273,324	226,813
Payable for import/export	200,040	86,238
Temporary credit and agency receipt	125,610	74,197
Payable for salaries	94,895	107,006
Payable for service	36,154	32,355
Payable for insurance	34,171	23,434
Others	802,246	640,463
	$ 2,587,222	$ 1,190,506

21. PROVISIONS

	December 31 2019	December 31 2018
Warranties	$ 45,966	$ 144,565

	Warranties
In 2018	
Balance at January 1, 2018	$ 8,506
Additional provisions recognized	201,431
Amounts written off	(65,548)
Effect of foreign currency exchange differences	176
Balance at December 31, 2018	$ 144,565
In 2019	
Balance at January 1, 2019	$ 144,565
Additional provisions recognized	153,261
Amounts written off	(251,836)
Effect of foreign currency exchange differences	(24)
Balance at December 31, 2019	$ 45,966

The provision for warranty claims represents the present value of management’s best estimate of the future outflow of economic benefits that will be required under the Group’s obligations for warranties and under local sale of goods legislation. The estimate had been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company and the domestic subsidiaries adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. According to local laws, overseas subsidiaries fund certain percentage of pension based on the gross incomes of the local employees. According to the pension plan managed by the Government of China, subsidiaries in China pay retirement insurance, recognized as current expense when contributed.

b. Defined benefit plans

The Company and the domestic subsidiaries adopted the defined benefit plan under the Labor Standard Law, pension benefits are calculated on the basis of an employee's length of service and average monthly salaries for the six-month period prior to before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the committee's name in Bank of Taiwan. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company and the domestic subsidiaries has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2019	**2018**
Present value of funded defined benefit obligation	$ 290,335	$ 282,108
Fair value of plan assets	(262,902)	(253,502)
Net defined benefit liability	$ 27,433	$ 28,606

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liability**
Balance at January 1, 2018	$ 269,071	$ (241,625)	$ 27,446
Service cost			
Current service cost	735	-	735
Net interest expense (income)	3,897	(3,527)	370
Recognized in profit or loss	4,632	(3,527)	1,105

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	$ -	$ (6,460)	$ (6,460)
Actuarial loss - experience adjustments	8,405	-	8,405
Recognized in other comprehensive income	8,405	(6,460)	1,945
Contributions from the employer	-	(1,890)	(1,890)
Benefits paid	-	-	-
Balance at December 31, 2018	282,108	(253,502)	28,606
Service cost			
Current service cost	1,038	-	1,038
Net interest expense (income)	3,663	(3,306)	357
Recognized in profit or loss	4,701	(3,306)	1,395
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(8,148)	(8,148)
Actuarial loss - experience adjustments	7,609	-	7,609
Recognized in other comprehensive income	7,609	(8,148)	(539)
Contributions from the employer	-	(2,029)	(2,029)
Benefits paid	(4,083)	4,083	-
Balance at December 31, 2019	$ 290,335	$ (262,902)	$ 27,433

1. (Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2019	2018
Operating costs	$ 118	$ 84
Selling and marketing expenses	135	86
General and administrative expenses	590	469
Research and development expenses	552	466
	$ 1,395	$ 1,105

Through the defined benefit plans under the Labor Standards Law, the Company and the domestic subsidiaries are exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2019	**2018**
Discount rates	1.00%-1.10%	1.30%-1.35%
Expected rates of salary increase	2.50%-3.50%	2.50%-3.50%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2019	**2018**
Discount rates		
0.25% increase	$ (8,288)	$ (8,664)
0.25% decrease	$ 8,630	$ 9,037
Expected rates of salary increase		
1.00% increase	$ 35,449	$ 37,313
1.00% decrease	$ (30,864)	$ (32,247)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2019	**2018**
The expected contributions to the plan for the next year	$ 1,065	$ 935
The average duration of the defined benefit obligation	13-14 years	15 years

23. EQUITY

a. Ordinary shares

	December 31	
	2019	**2018**
Number of shares authorized (in thousands)	880,000	880,000
Shares authorized	$ 8,800,000	$ 8,800,000
Number of shares issued and fully paid (in thousands)	558,051	557,590
Shares issued	$ 5,580,514	$ 5,575,899

Fully paid ordinary shares, which have a par value of $10, carry one vote per share and carry a right to dividends.

A total of 87,000 thousand shares of the Company’s authorized shares were reserved for the issuance of employee share options.

Exercise of employee share option is the main reason for the share movement.

b. Capital surplus

	December 31	
	2019	2018
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Arising from issuance of ordinary shares	$ 531,890	$ 530,159
Arising from treasury share transactions	40,100	31,264
May be used to offset a deficit only		
Arising from employee share options	208,509	206,385
Arising from changes in percentage of ownership interest in subsidiaries (2)	5,509	5,509
May not be used for any purpose		
Arising from employee share options	19,707	21,831
	$ 805,715	$ 795,148

1) Such capital surplus may be used to offset a deficit; in addition, when the Group has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Group's capital and once a year).

2) Such capital surplus arises from the effects of changes in ownership interest in a subsidiary resulted from equity transactions other than actual disposal or acquisition, or from changes in capital surplus of subsidiaries accounted for by using equity method.

A reconciliation of the carrying amount at the beginning and at the end of December 31, 2019 and 2018, for each class of capital surplus was as follows:

	Premium on Issue of Shares	Treasury Share	Employee Share Options - May be used to Offset a Deficit Only	Change in Percentage of Ownership Interest in Subsidiaries	Employee Share Options - May not be used for any Purpose
Balance at January 1, 2018	$ 520,879	$ 22,135	$ 192,251	$ 5,509	$ 35,965
Employee share options exercised	9,280	-	13,947	-	(14,134)
Employee share option not exercised	-	-	187	-	-
Cash dividends received by subsidiaries from parent company	-	9,129	-	-	-
Balance at December 31, 2018	$ 530,159	$ 31,264	$ 206,385	$ 5,509	$ 21,831

(Continued)

	Premium on Issue of Shares	Treasury Share	Employee Share Options - May be used to Offset a Deficit Only	Change in Percentage of Ownership Interest in Subsidiaries	Employee Share Options - May not be used for any Purpose
Balance at January 1, 2019	$ 530,159	$ 31,264	$ 206,385	$ 5,509	$ 21,831
Employee share options exercised	1,731	-	210	-	(2,124)
Employee share option not exercised	-	-	1,914	-	-
Cash dividends received by subsidiaries from parent company	-	8,836	-	-	-
Balance at December 31, 2019	$ 531,890	$ 40,100	$ 208,509	$ 5,509	$ 19,707

(Concluded)

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where Accton Technology made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 25-6.

Accton Technology's Articles stipulate that the dividend policy must comply with present and future development plans and take investment environment, demand of funds, domestic and foreign competition, and shareholders' interests into consideration. The shareholder's compensation can be appropriated by issuance of stock dividends or by payment of cash dividends, with provision that the percentage of cash dividends must exceed 50% of total dividends.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2018 and 2017 had been approved in the shareholders' meeting on June 13, 2019 and June 13, 2018, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Year 2018	**For Year 2017**	**For Year 2018**	**For Year 2017**
Legal reserve	$ 295,245	$ 255,517	$ -	$ -
Special reserve	53,817	-	-	-
Cash dividends	2,230,684	2,299,657	3.9984	4.1311

The appropriations of earnings for 2019 had been proposed by the Company's board of directors on March 19, 2020. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 495,049	$ -
Special reserve	230,752	-
Cash dividends	3,462,734	6.2

The appropriations of earnings for 2019 are subject to the resolution of the shareholders' meeting to be held on June 18, 2020.

d. Special reserves

	For the Year Ended December 31	
	2019	2018
Beginning at January 1	$ 253,675	$ 253,675
Appropriations in respect of		
Debits to other equity items	53,817	-
Balance at December 31	$ 307,492	$ 253,675

e. Others equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ (273,183)	$ (220,904)
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	(219,425)	(52,279)
Balance at December 31	$ (492,608)	$ (273,183)

2) Unrealized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ (34,308)	$ (14,234)
Recognized for the year		
Unrealized gain (loss) - equity instruments	12,389	(20,074)
Reclassification adjustments		
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	(23,717)	-
Balance at December 31	$ (45,636)	$ (34,308)

f. Treasury shares

The Company's shares held by its subsidiaries at the end of the reporting periods were as follows.

Nambe of Subsidiary	Number of Shares Held (In Thousands of Shares)	Carrying Amount	Market Value
December 31, 2019			
Accton Investment	2,210	$ 50,999	$ 371,258
December 31, 2018			
Accton Investment	2,210	$ 50,999	$ 217,893

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote. The subsidiaries holding treasury shares, however, retain shareholders' rights, except the rights to participate in any share issuance for cash and to vote.

24. REVENUE

	For the Year Ended December 31	
	2019	2018
Revenue from the sale of goods	$ 55,322,578	$ 43,013,332
Other operating revenue	78,469	78,823
	$ 55,401,047	$ 43,092,155

a. Contract information

- Revenue from the sale of goods comes from sales of network communication equipment. Based on the different trading conditions of the network communication equipment, sales of goods are recognized as revenue when they are delivered to the customer's specific location and the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. When the customer initially purchases the goods, the transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

In 2018, the Group has applied IFRS 15 and recognizes the possible sales return and discount of the refundable liabilities. As of December 31, 2019 and 2018, for information on the refund liability which amounted to $48,113 and $128,430 thousand, respectively.

b. Contact balances

	December 31, 2019	December 31, 2018	January 1, 2018
Trade receivables (Note 10)	$ 6,964,535	$ 7,975,288	$ 6,076,086
Contract liabilities - current			
Sale of goods	$ 592,137	$ 382,014	$ 246,941

As of December 31, 2019 and 2018, the sales of goods from contract liabilities amounted to

$196,112 thousand and $109,455 thousand, respectively.

c. Disaggregation of revenue

Refer to Note 38 for the information related to disaggregation of revenue.

25. NET PROFIT

a. Net profit

1) Other income

	For the Year Ended December 31	
	2019	2018
Interest income	$ 99,913	$ 69,916
Dividends	8,937	9,904
Grant income	2,576	-
Others	112,448	69,877
	$ 223,874	$ 149,697

2) Other gains and losses

	For the Year Ended December 31	
	2019	2018
Gain (loss) on disposal of subsidiary	$ 3,337	$ (3,140)
Loss on lease modification	(231)	-
Net loss on fair value changes of financial assets Designated as at fair value through profit or loss	(19,529)	(58,510)
Net foreign exchange (losses) gains	(87,493)	137,977
Others	(9,799)	3,681
	$ (113,715)	$ 80,008

3) Finance costs

	For the Year Ended December 31	
	2019	2018
Interest on loans	$ 4,277	$ 2,822
Interest on lease liabilities	14,011	-
	$ 18,288	$ 2,822

4) Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
An analysis of depreciation by function		
Operating costs	$ 267,321	$ 133,677
Operating expenses	241,021	132,822
	$ 508,342	$ 266,499
An analysis of amortization by function		
Operating costs	$ 3,719	$ 1,736
Operating expenses	27,261	25,243
	$ 30,980	$ 26,979

5) Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Short-term benefits	$ 4,075,182	$ 3,273,342
Post-employment benefits (Note 22)		
Defined contribution plans	140,290	127,299
Defined benefit plans	1,395	1,105
Total employee benefits expense	$ 4,216,867	$ 3,401,746
An analysis of employee benefits expense by function		
Operating costs	$ 1,311,514	$ 975,306
Operating expenses	2,905,353	2,426,440
	$ 4,216,867	$ 3,401,746

6) Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at rates of no less than 1%-11.25% and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2019 and 2018, which have been approved by the Company's board of directors on March 19, 2020 and March 21, 2019, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2019	2018
Employees' compensation	11.25%	11.25%
Remuneration of directors	0.7%	1.5%

Amount

	For the Year Ended December 31			
	2019		2018	
	Cash	Share	Cash	Share
Employees' compensation	$ 741,109	$ -	$ 433,062	$ -
Remuneration of directors	45,000	-	57,742	-

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

26. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of tax expense recognized in profit or loss:

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	$ 1,179,331	$ 785,833
Adjustments for prior year	(13,647)	(5,935)
Deferred tax		
In respect of the current year	14,389	(32,602)
Effect of tax rate change	-	(1,738)
Income tax expense recognized in profit or loss	$ 1,180,073	$ 745,558

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2019	2018
Profit before tax from operations	$ 6,129,645	$ 3,697,739
Income tax expense calculated at the statutory rate	$ 1,526,803	$ 991,861
Income tax on unappropriated earnings	18,651	-
Nondeductible items expenses in determining taxable income	(286,846)	(198,767)
Investment credits	(64,888)	(39,863)
Adjustments for prior year	(13,647)	(5,935)
Adjustments to deferred tax attributable to changes in tax rates	-	(1,738)
Income tax expense recognized in profit or loss	$ 1,180,073	$ 745,558

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other groups operating in other jurisdictions are based on the tax laws in those jurisdictions.

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. The Company has already deducted the amount of capital expenditure from the unappropriated earnings in 2018 that was reinvested when calculating the tax on unappropriated earnings for the year ended December 2019.

b. Current tax assets and liabilities

	December 31	
	2019	**2018**
Current tax assets		
Tax refund receivable	$ 19,224	$ 12,529
Current tax liabilities		
Income tax payable	$ 779,000	$ 597,451

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2019

	Balance, Beginning of Year	**Movements**	**Balance, End of Year**
Deferred tax assets			
Loss carryforwards	$ 18,795	$ (15,872)	$ 2,923
Temporary difference	46,032	1,483	47,515
	$ 64,827	$ (14,389)	$ 50,438

For the year ended December 31, 2018

	Balance, Beginning of Year	**Movements**	**Balance, End of Year**
Deferred tax assets			
Loss carryforwards	$ 18,795	$ -	$ 18,795
Temporary difference	11,692	34,340	46,032
	$ 30,487	$ 34,340	$ 64,827

d. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2019	2018
Loss carryforwards		
Expire in 2019	$ -	$ 226,469
Expire in 2020	187,873	192,014
Expire in 2021	374,098	379,819
Expire in 2022	115,918	118,705
Expire in 2023	536,476	547,808
Expire in 2024	373,189	380,979
Expire in 2025	360,635	350,455
Expire in 2026	34,424	34,424
Expire in 2027	57,638	60,358
Expire in 2028	28,451	29,498
Expire in 2029	152,925	112,041
Expire in 2033	143,860	147,387
Expire in 2035	120,542	123,498
Expire in 2036	260,846	267,241
Expire in 2037	182,423	186,895
Expire in 2038	450,183	460,812
Expire in 2039	102,576	-
	$ 3,482,057	$ 3,618,403
Deductible temporary differences	$ 900,352	$ 894,655

e. Unrecognized deferred tax liabilities associated with investments

Deferred tax liabilities have been recognized on all taxable temporary differences associated with investment in subsidiaries as of December 31, 2019 and 2018.

f. Income tax assessments

The tax authorities have examined income tax returns of the Company through 2017.

27. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2019	2018
Basic earnings per share	$ 8.91	$ 5.33
Diluted earnings per share	$ 8.76	$ 5.23

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2019	**2018**
Earnings used in the computation of basic and diluted earnings per share	$ 4,950,495	$ 2,952,449

Weighted average number of ordinary shares outstanding (in thousand shares):

	For the Year Ended December 31	
	2019	**2018**
Weighted average number of ordinary shares in computation of basic earnings per share	555,633	554,406
Effect of potentially dilutive ordinary shares:		
Employee share option	4,056	5,145
Bonus to employees	5,192	5,102
Weighted average number of ordinary shares used in the computation of diluted earnings per share	564,881	564,653

If the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonuses will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

28. SHARE-BASED PAYMENT ARRANGEMENTS

Employee share option plan of the Company

Qualified employees of the Company and its subsidiaries were granted 20,000 thousand option on September 4, 2014, 20,000 thousand options on July 20, 2010 and 20,000 thousand options on October 24, 2007. Each option entitles the holder to subscribe for one ordinary shares of the Company. The options granted are valid for 10 years and exercisable at certain percentages after the second anniversary from the grant date.

Information on employee share options was as follows:

	For the Year Ended December 31					
	2014		2010		2008	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
2018						
Balance at January 1	5,609	$ 15.40	2,034	$ 9.30	270	$ 13.00
Options exercised	(1,821)	14.70-15.40	(1,044)	8.90-9.30	(230)	13.00
Options canceled	-	-	-	-	(40)	13.00
Balance at December 31	3,788	14.70	990	8.90	-	-
2019						
Balance at January 1	3,788	$ 14.70	990	$ 8.90	-	$ -
Options exercised	(397)	14.20-14.70	(64)	8.60-8.90	-	-
Options canceled	(410)	14.20-14.70	-	-	-	-
Balance at December 31	2,981	14.20	926	8.60	-	-

The number of outstanding share options and the exercise prices had been adjusted to reflect the share dividend and the cancellation of ordinary shares in accordance with the plans.

Information about outstanding options as of December 31, 2019 was as follows:

	Options Outstanding			Options Exercisable	
Exercise Price (NT$)	Number Outstanding (In Thousands)	Expected Remaining Contractual Life (In Years)	Weighted-average Exercise Price (NT$)	Number Exercisable (In Thousands)	Weighted-average Exercise Price (NT$)
2014 option plan					
$ 14.20	2,981	4.69	$ 14.20	2,981	$ 14.20
2010 option plan					
$ 8.60	926	0.55	$ 8.60	926	$ 8.60

Options granted in 2014, 2010 and 2008 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	2014	2010	2008
Grant-date share price ($)	$ 17.90	$ 15.25	$ 13.50
Exercise price ($)	17.90	15.25	13.50
Expected volatility	22.30%	46.56%	47.53%
Expected life (years)	10 year	3.25 year	3-3.25 year
Expected dividend yield	-	-	-
Risk-free interest rate	1.63%	0.80%	2.544%

The grant-date share fair price was measured by market-based method.

Expected volatility was based on the same industry company historical share price volatility over the past 1 year.

Compensation cost recognized was none for year ended December 31, 2019 and 2018.

Employee share option plan of SMC

Qualified employees of SMC were granted 2,125 thousand options in August 3, 2012. Each option entitles the holder to subscribe for one ordinary shares of the Company. The options granted are valid for 10 years and exercisable at certain percentages after the anniversary from the grant date.

	2012 Plan	
	Number of Outstanding Share Option Rights (In Thousands)	**Weighted-average Exercise Price (USD)**
2018		
Beginning balance and ending balance	506	USD 1.10
2019		
Beginning balance	506	USD 1.10
Options canceled	(260)	USD 1.10
Ending balance	246	USD 1.10

The outstanding share options as of December 31, 2019 were as follows:

	Options Outstanding			**Options Exercisable**	
Exercise Price (USD)	**Number Outstanding (In Thousands)**	**Expected Remaining Contractual Life (In Years)**	**Weighted-average Exercise Price (USD)**	**Number Exercisable (In Thousands)**	**Weighted-average Exercise Price (USD)**
2012 plan					
USD 1.10	246	2.59	USD 1.10	246	USD 1.10

Options granted during the year 2012 was priced using the Market base pricing model and the inputs to the model was as follows:

	2012
Grant-date share price	USD 0.91
Exercise price	USD 1.10
Expected volatility	50.00%
Expected life	6.21 years
Expected dividend yield	-
Risk-free interest rate	0.91%
Fair value	USD 0.39

The grant-date share price was measured by Based - Market Method.

Expected volatility was based on the same industry company historical share price volatility over the past 1 year.

Compensation cost recognized was none for year ended December 31, 2019 and 2018.

29. GOVERNMENT GRANTS

As of December 31, 2019, the Company obtained a government preferential interest rate loan of $973,000 thousand from the “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan” for capital expenditure and operating turnover . The loan will be settled in three to seven years through installments. At the time of borrowing, the market interest rate was 1.29%. Based on this, the fair value of borrowing is estimated to be $918,063 thousand. The difference between the amount obtained and the fair value of the borrowing is $54,937 thousand, which is regarded as a government grant of low interest loan and recognized as deferred income. In 2019, the Company recognized other income of $2,576 thousand, the interest expense of the loan of $2,989 thousand, payment of interest of $352 thousand and interest payable of $61 thousand.

If the Company fails to meet the key points of the above project during the loan period, and the National Development Fund terminates the government grant, then the Company will pay the original interest rate plus the annual interest rate.

30. DISPOSAL OF SUBSIDIARY

a. On November 5, 2019, the Group completed the liquidation of its subsidiary, IgniteNet EU.

1) Loss on liquidation of subsidiary

	IgniteNet EU
Consideration received	$ -
Liquidation of subsidiary reclassified from cumulative exchange difference in equity to other comprehensive income due to loss of control over the subsidiary	(122)
Loss on disposal	$ (122)

b. On August 31, 2019, the Group completed the liquidation of its subsidiary, SMC Spain.

1) Gain on liquidation of subsidiary

	SMC Spain
Consideration received	$ -
Liquidation of subsidiary reclassified from cumulative exchange difference in equity to other comprehensive income due to loss of control over the subsidiary	3,508
Gain on disposal	$ 3,508

c. On April 28, 2019, the Group completed the liquidation of its subsidiary, WayStorm.

1) Analysis of assets and liabilities on the date of liquidation

	WayStorm
Current assets	
Cash and cash equivalents	$ 50
Prepayments	4
Net assets disposed of	$ 54

2) Loss on liquidation of subsidiary

	WayStorm
Consideration received	$ 5
Net assets disposed of	(54)
Loss on disposal	$ (49)

d. On March 27, 2018, the Group completed the liquidation of its subsidiary, Accton Wireless Broadband Corporation

1) Analysis of assets and liabilities on the date of liquidation

	Accton wireless Broadband Corp.
Current assets	
Prepayments	$ 3,140
Net assets disposed of	$ 3,140

2) Loss on liquidation of subsidiary

	Accton wireless Broadband Corp.
Consideration received	$ -
Net assets disposed of	(3,140)
Loss on disposal	$ (3,140)

31. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities have necessary financial resources and operational plan to cover all required funds for the next 12 months, including capital expenditures, research and development plan, debt repayment and dividends, etc.

Based on the Group's business model and working capital sources, the Group has no significant changes except for shareholders' share dividends and exercise of employee share options.

32. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

December 31, 2019

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at amortized cost					
Bond investment	$ 55,680	$ -	$ 53,294	$ -	$ 53,294

December 31, 2018

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at amortized cost					
Bond investment	$ 56,101	$ -	$ 53,673	$ -	$ 53,673

Level 2 of fair values measurement is based on the reference price of issuing bank.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ 315,232	$ -	$ -	$ 315,232
Unlisted shares	-	-	186,740	186,740
	$ 315,232	$ -	$ 186,740	$ 501,972
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares and emerging market shares	$ 173,445	$ -	$ -	$ 173,445

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ 4,003	$ -	$ -	$ 4,003
Unlisted shares	-	-	174,517	174,517
	$ 4,003	$ -	$ 174,517	$ 178,520
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares and emerging market shares	$ 199,427	$ -	$ -	$ 199,427

There were no transfers between Level 1 and 2 for the years ended December 31, 2019 and 2018.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2019

Financial Assets	Financial Assets at FVTOCI Equity Instruments
Balance at January 1, 2019	$ 174,517
Recognized in profit or loss (included in other gains and losses)	(21,726)
Purchases	40,315
Sales	(6,366)
Balance at December 31, 2019	$ 186,740

For the year ended December 31, 2018

Financial Assets	Financial Assets at FVTOCI Equity Instruments
Balance at January 1, 2018	$ 201,259
Recognized in profit or loss (included in other gains and losses)	(64,779)
Purchases	43,599
Sales	(3,661)
Foreign exchange gains and losses	(1,901)
Balance at December 31, 2018	$ 174,517

3) Valuation techniques and inputs applied for Level 3 fair value measurement

a) Some foreign unlisted equity securities are determined using the Black-Scholes method which is based on the recent transaction and issue price to calculate the overall equity value of the target company. Then the Group assesses the net of these investment targets to determine the fair value of the equity investments to reflect the overall value of the Company.

b) Some of the fair values of unlisted equity securities for both foreign and domestic were determined using the market approach which were based on the transaction price of the comparable standard and financial information of the underlying company and the market peers. Market multipliers such as price-to-earnings ratio, price-to-book ratio, price-to-sales ratio or other financial ratios are used to analyze and evaluate.

	December 31	
	2019	**2018**
Price book ratio	1.415-4.901	1.105-8.160
Price-to-sales ratio	0.67-2.46	0.76-5.33
Liquidity discount	20%	20%

c. Categories of financial instruments

	December 31	
	2019	**2018**
Financial assets		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	$ 501,972	$ 178,520
Financial assets at amortized cost (Note 1)	17,732,680	12,805,777
Financial assets at FVTOCI		
Investments in equity instruments	173,445	199,427
Financial liabilities		
Amortized cost (Note 2)	13,579,542	10,057,189

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes and trade receivables (include related parties), other receivables (include related parties), time deposits with original maturity of more than 3 months, bond investments, pledged time deposits and refundable deposits.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise trade payables (include related parties), payables on construction and equipment, other payables (include related parties), long-term borrowings and guarantee deposits.

d. Financial risk management objectives and policies

The Group's financial risk management objective is to manage all risks that are relevant to operating activities, like foreign currency risk, interest rate risk, credit risk and liquidity risk. The Group strives to identify, assess and avoid the uncertainty in market to minimize the potential adverse impact of market. Important financial activities of the Group are approved by the board of directors and reviewed for compliance with internal controls and relevant regulations and management practices. The Group abides by the relevant financial procedures on overall financial risk management and division of responsibilities when implementing financial plans.

The Group's policies on market risk (including currency risk, interest rate risk, and other price risk), credit risk and liquidity risk are as follows:

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Group entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

There had been no change in the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group and several subsidiaries' operating activities are partially denominated in foreign currencies and apply natural hedge. The purpose of the Group's management of the foreign currency risk is to hedge the risk instead of making a profit.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposing to foreign currency risk at the end of the reporting period are set out Note 36.

Sensitivity analysis

The Group was mainly exposed to the USD, EUR and HKD.

The following table details the Group's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and forward contracts, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with New Taiwan dollars strengthen 1% against the relevant currency. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	USD Impact		**EUR Impact**		**HKD Impact**	
	For the Year Ended December 31		**For the Year Ended December 31**		**For the Year Ended December 31**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Profit or loss	$ 70,930	$ 53,584	$ 10	$ 99	$ (607)	$ (807)

b) Interest rate risk

Interest rates of the Group's long-term bank loans are floating, and changes in interest rates would affect the future cash flows but not the fair value.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting periods were as follows.

	December 31	
	2019	**2018**
Fair value interest rate risk		
Financial assets	$ 6,283,898	$ 2,280,553
Financial liabilities	600,561	-
Cash flow interest rate risk		
Financial assets	4,031,110	2,096,041
Financial liabilities	920,639	-

Sensitivity analysis

The sensitivity analysis below was based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period.

If interest rates had been 0.1% basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2019 and 2018 would decrease/increase by $3,110 thousand and $2,096 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates.

c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments. The Group's equity price risk was mainly concentrated on equity instruments operating in electronic industry quoted in the Taiwan Stock Exchange and Greta Securities Market.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% higher/lower, pre-tax profit for the year ended December 31, 2019 and 2018 would have increased/decreased by $5,020 thousand and $1,785 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI, and the post-tax other comprehensive income for the year ended December 31, 2019 and 2018 would have increased/decreased by $1,734 thousand and $1,994 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that a counterpart will default on its contractual obligations and result in financial loss to the Group. At the end of the reporting period, the Group may have a financial loss due to the default on obligation from counterparts, and the maximum exposure to credit risk is the trade receivables from counterparts.

In order to mitigate credit risk, the Group has made the management of credit policy to ensure that appropriate action is taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of each trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Group considers the credit risk is significantly reduced.

The Group's accounts receivable outstanding arose from trading with its customers spreading across diverse industries and geographical areas. The balances are monitored on an ongoing basis by evaluating the customers' financial conditions.

Under its credit policy, the Group evaluates the credit grade of new customers individually before determining payment and other transaction terms. For this evaluation, the Group acquires external information from credit rating agencies and banks. If this information is not available, the Group uses other publicly available financial information and its own trading records to rate its customers. The Group reviews credits and trades of each customer regularly and does not trade with the customers that do not meet the credit grade in advance.

The Group estimated the allowance for impairment loss recognized on trade receivables, other receivables and investments.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2019 and 2018, the Group had available unutilized short-term bank loan facilities set out in (b) below.

a) Liquidity and interest risk rate tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Total
Non-derivative financial liabilities					
Non-interest bearing	$ 9,108,371	$ 2,098,461	$ 1,447,657	$ 4,414	$ 12,658,903
Lease liabilities	10,091	18,811	112,973	541,593	683,468
Variable interest rate liabilities	117	230	1,037	977,717	979,101
Non-interest bearing	$ 9,118,579	$ 2,117,502	$ 1,561,667	$ 1,523,724	$ 14,321,472

Additional information about the maturity analysis of lease liabilities:

	Less than 1 Year	1-5 years	5-10 years	10-15 years	15-20 years	20 years
Lease liabilities	$ 141,875	$ 365,608	$ 44,155	$ 35,791	$ 35,791	$ 60,248

December 31, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Total
Non-derivative financial liabilities					
Non-interest bearing	$ 7,480,607	$ 2,129,183	$ 446,573	$ 826	$ 10,057,189

b) Financing facilities

	December 31	
	2019	2018
Unsecured bank overdraft facility, reviewed annually and payable at call:		
Amount used	$ 973,000	$ -
Amount unused	6,125,970	4,913,945
	$ 7,098,970	$ 4,913,945

The Group does not have bank loan facilities which may be extended by mutual agreement on December 31, 2019 and 2018.

33. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Related party name and relationship

Related Party Name	Relationship with the Company
Noctilucent Systems (Shanghai) Limited	Related party in substance
Oenix Biomed Co., Ltd.	Associate

b. Sales

Line Item	Related Party Name	December 31	
		2019	2018
Sales	Noctilucent Systems (Shanghai) Limited	$ 1,218	$ 7,886
	Oenix Biomed Co., Ltd.	122	1,252
		$ 1,340	$ 9,138

The price of the Group’s sales to related parties is based on the agreed terms; therefore, there is no appropriate transaction object to compare.

c. Trade receivables from related parties

Line Item	Related Party Name	December 31 2019	December 31 2018
Trade receivables - related parties	Noctilucent Systems (Shanghai) Limited	$ 2,858	$ 4,279
	Oenix Biomed Co., Ltd.	-	1,279
		$ 2,858	$ 5,558

The price of the Group's sales to related parties is based on the agreed terms; therefore, there is no appropriate transaction object to compare. The average payment term is 75 to 90 days.

d. Other receivables from related parties

Line Item	Related Party Name	December 31 2019	December 31 2018
Other receivables from related parties	Noctilucent Systems (Shanghai) Limited	$ 10,550	$ 13,654
	Oenix Biomed Co., Ltd.	8	26
		$ 10,558	$ 13,680

The transaction between the Group and related parties is based on the agreed terms.

e. Other payables to related parties

Line Item	Related Party Name	December 31 2019	December 31 2018
Other payables to related parties	Noctilucent Systems (Shanghai) Limited	$ 2,270	$ 3,361

The transaction between the Group and related parties are based on the agreed terms.

f. Non-operating income and expenses

Line Item	Related Party Name	December 31 2019	December 31 2018
Other revenue	Oenix Biomed Co., Ltd.	$ 175	$ -

g. Compensation of key management personnel

	For the Year Ended December 31 2019	For the Year Ended December 31 2018
Short-term employee benefits	$ 163,268	$ 188,453
Termination benefits	870	931
	$ 164,138	$ 189,384

The compensation of directors and other key management personnel was determined by the compensation committee on the basis of individual performance and market trends.

34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral of tariff:

	December 31	
	2019	2018
Pledged time deposits (classified as other non-current assets - other)	$ 22,000	$ 26,556

35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2019, unused letters of credit for guarantee U.S. customs affairs amounted to USD$6,350 thousand.

36. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The following information was aggregated by the foreign currencies other than functional currencies of the group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
Foreign assets			
Monetary items			
USD	$ 592,936	29.98 (USD:NTD)	$ 17,776,215
USD	227,298	4.305 (RMB:NTD) 6.964 (USD:RMB)	6,814,398
EUR	55	33.59 (EUR:NTD)	1,852
HKD	4	4.305 (RMB:NTD) 0.8941 (HKD:RMB)	14
Foreign liabilities			
Monetary items			
USD	420,866	29.98 (USD:NTD)	12,617,565
USD	162,776	4.305 (RMB:NTD) 6.964 (USD:RMB)	4,880,014
EUR	24	33.59 (EUR:NTD)	802
EUR	1	4.305 (RMB:NTD) 7.8026 (EUR:RMB)	27
HKD	15,785	4.305 (RMB:NTD) 0.8941 (HKD:RMB)	60,757

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
Foreign assets			
Monetary items			
USD	$ 511,637	30.715 (USD:NTD)	$ 15,714,941
USD	239,691	4.472 (RMB:NTD) 6.8683 (USD:RMB)	7,362,106
USD	148	0.0012 (VND:NTD) 25,596 (USD:VND)	4,557
USD	5	35.2 (EUR:NTD) 0.8726 (USD:EUR)	152
EUR	317	35.2 (EUR:NTD)	11,171
HKD	4	4.472 (RMB:NTD) 0.8768 (HKD:RMB)	17
Foreign liabilities			
Monetary items			
USD	388,550	30.715 (USD:NTD)	11,934,309
USD	188,477	4.472 (RMB:NTD) 6.8683 (USD:RMB)	5,789,068
EUR	23	4.472 (RMB:NTD) 7.8712 (EUR:RMB)	792
EUR	13	35.2 (EUR:NTD)	474
HKD	20,574	4.472 (RMB:NTD) 0.8768 (HKD:RMB)	80,670

The Group is mainly responsible for the foreign exchange rate risk of US and RMB dollars. The following information was aggregated by the functional currencies of the group entities, and the exchange rates between respective functional currencies and the presentation currency were disclosed. The significant realized and unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2019		2018	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1 (NTD:NTD)	$ (113,197)	1 (NTD:NTD)	$ 91,610
RMB	4.4821 (RMB:NTD)	25,667	4.5599 (RMB:NTD)	46,540
USD	30.912 (USD:NTD)	37	30.149 (USD:NTD)	(173)
		$ (87,493)		$ 137,977

37. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and b. information on investees:

1) Financing provided to others (None)

2) Endorsements/guarantees provided (Table 1)

3) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities) (Table 2)

4) Marketable securities acquired and disposed at costs or prices at least NT$300 million or 20% of the paid-in capital (Table 3)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 4)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 5)

9) Trading in derivative instruments. (None)

10) Other: Intercompany relationships and significant intercompany transaction (Table 6)

11) Information on investees (excluding any investee company in mainland China) (Table 7)

c. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses. (Table 6)

d. The Company's shares held by its subsidiaries: Company's shares held by its subsidiaries for investing (Note 23)

38. SEGMENT INFORMATION

a. For resources allocation and performance assessment, the Group's chief operating decision maker reviews operating results and financial information. The focus is on the operating results of each plant operated by the Company and its subsidiaries. Thus, each plant is an operating segment of the Group. As each plant shares similar economic characteristics, produces similar products by using similar production processes and all of the products produced are distributed and sold to the same level of customers through a centralized sales function, the Group's segments are aggregated into a single reportable segment.

The revenues, operating results and financial information of each plant presented to the chief operating decision maker are consistent with the information in the consolidated financial statements. The segment revenues and operating results are shown in the consolidated income statements for 2019 and 2018. The segment assets are shown in the consolidated balance sheets as of December 31, 2019 and 2018.

b. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services:

	For the Year Ended December 31	
	2019	2018
Switch	$ 37,790,071	$ 29,737,346
Network Application	8,936,062	5,830,840
Metro Access Switch	4,061,408	3,468,427
Wireless	2,060,175	2,144,252
Broadband Access	35,824	163,054
Other	2,517,507	1,748,236
	$ 55,401,047	$ 43,092,155

c. Geographical information

The Group's revenue from continuing operations from external customers and information about its noncurrent assets by geographical location are detailed below:

	Revenue from External Customers		Noncurrent Assets	
	December 31		December 31	
	2019	2018	2019	2018
America	$ 39,055,403	$ 29,999,820	$ 36,269	$ 19,883
Europe	9,798,386	6,816,748	-	-
Asia	4,823,075	4,949,346	540,921	595,824
Taiwan (Company location)	1,664,236	1,276,104	1,613,524	549,645
Other	68,947	50,137	-	-
	$ 55,401,047	$ 43,092,155	$ 2,190,714	$ 1,165,352

Geographic revenue of the Group is categorized according to the areas of receivables. Non-current assets exclude long-term investments accounted for by the equity method, financial instruments, prepayment for investment and deferred tax assets.

d. Major customers representing at least 10% of net sales:

	2019		2018	
Customer	Amount	% to Total	Amount	% to Total
A	$ 8,703,094	16	$ 5,444,103	13
B	7,597,166	14	4,695,590	11
C	7,490,570	14	7,759,419	18
D	6,800,332	12	6,022,002	14

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity In Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 2)										
0	Accton Technology Corporation	Accton Technology Co., Ltd.	2	$ 1,280,039	$ 149,900 (USD 5,000)	$ 149,900 (USD 5,000)	$ -	$ -	1.17	$ 3,840,116	Yes	No	Yes
1	Edgecore Network Corporation	Edgecore USA Corporation	4	1,468,783	299,800 (USD 10,000)	299,800 (USD 10,000)	163,391	-	20.41	1,468,783	No	No	No
2	Edgecore USA Corporation	Accton Logistics Corporation	4	41,954	26,982 (USD 900)	26,982 (USD 900)	26,982	-	64.31	41,954	No	No	No

Note 1: The description of the number column is as follows:

1) Lender is numbered as 0.

2) Investee is numbered sequentially from 1.

Note 2: The following seven items are relationship of endorsement guarantors and endorsed objects:

1) The company with business contact.

2) The company directly and indirectly holds more than 50% of the shares of the voting rights.

3) Directly and indirectly holds more than 50% of the shares of the voting rights to the company.

4) The company directly and indirectly holds more than 90% of the shares of the voting rights.

5) The company that is mutually protected under contractual requirements based on the needs of the contractor.

6) The company that is endorsed by its all-funded shareholders in accordance with its shareholding ratio because of the joint investment relationship.

7) Performance guarantees for the sale of presale contracts under the Consumer Protection Act.

Note 3: The limit on amount of endorsement and guarantee is explained below:

1) In accordance with the company’s procedure for endorsement and guarantee, the ceiling on total endorsement and guarantee to all parties is 30% of its net sales value; the ceiling on single guarantee object to all parties is 10% of its net assets value.

2) The policy for endorsement and guarantee granted by subsidiaries to the company whose voting shares are directly or indirectly wholly-owned is not limited by the above description.

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars and Foreign Currency)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
Accton Technology Corporation	Fund							
	UPAMC James Bond Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,625	$ 111,152	-	$ 111,152	-
	FSITC Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,139	204,080	-	204,080	
	Shares							
	First Hi-Tec Enterprise Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	1,496	61,168	2%	61,168	-
	Cathay financial holding Co., Ltd. - preference shares	-	Financial assets at fair value through other comprehensive income - current	830	53,286	-	53,286	-
	Clientron Corp.	-	Financial assets at fair value through other comprehensive income - current	289	6,560	-	6,560	-
	Cathay financial holding Co., Ltd. - preference share B	-	Financial assets at fair value through other comprehensive income - current	35	2,221	-	2,221	-
	TechnoConcepts Inc.	-	Financial assets at fair value through other comprehensive income - current	597	-	-	-	-
	Worldgate Communication, Inc.	-	Financial assets at fair value through other comprehensive income - non-current	3,200	-	-	-	-
	Bond							
	Industrial and Commercial Bank of China Limited, New York Branch	-	Financial assets at amortized cost - current	-	15,912	-	15,912	-
	Shares							
	Pershing Systems Corp.	-	Financial assets at fair value through profit or loss - non-current	2,298	47,781	9%	47,781	-
	i Pass Corporation	-	Financial assets at fair value through profit or loss - non-current	2,000	39,000	2%	39,000	-
	Linker Corporation	-	Financial assets at fair value through profit or loss - non-current	469	-	2%	-	-
	Global Channel Resource Pte. Ltd.	-	Financial assets at fair value through profit or loss - non-current	500	-	7%	-	-
	Wave-In Communication Inc.	-	Financial assets at fair value through profit or loss - non-current	1,138	2,950	15%	2,950	-
	Stratus Medicine Inc.	-	Financial assets at fair value through profit or loss - non-current	833	-	4%	-	-
	Zentera Systems, Inc.	-	Financial assets at fair value through profit or loss - non-current	400	-	3%	-	-
	Innovium, Inc.	-	Financial assets at fair value through profit or loss - non-current	152	-	-	-	-

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
Accton Technology Corporation	Xingtera technology optimizes	-	Financial assets at fair value through profit or loss - non-current	478	$ -	1%	$ -	-
	Midfin Systems Inc.	-	Financial assets at fair value through profit or loss - non-current	1,084	-	4%	-	-
	MiTAC Information Technology Corp.	-	Financial assets at fair value through profit or loss - non-current	300	-	-	-	-
	Clop Technologies Pte. Ltd.	-	Financial assets at fair value through profit or loss - non-current	2,000	-	9%	-	-
	Acute Technology Corp.	-	Financial assets at fair value through profit or loss - non-current	2,650	-	15%	-	-
	Microlinks Technology Corp.	-	Financial assets at fair value through profit or loss - non-current	138	-	2%	-	-
	Peracom Networks, Inc.	-	Financial assets at fair value through profit or loss - non-current	2,931	-	-	-	-
	MoBitS Electronics, Inc.	-	Financial assets at fair value through profit or loss - non-current	387	-	5%	-	-
	VODTEL Communication Inc.	-	Financial assets at fair value through profit or loss - non-current	122	-	3%	-	-
Accton Investment Corp. (BVI)	Shares							
	Accton Technology Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	2,210	50,999	-	371,258	-
	Bond							
	HSBC Holdings PLC,	-	Financial assets at amortized cost - non-current	-	30,292	-	30,292	-
	Shares							
	Big switch Networks Inc.	-	Financial assets at fair value through profit or loss - non-current	374	9,875	-	9,875	-
	Volterra, Inc. -preference share A	-	Financial assets at fair value through profit or loss - non-current	319	15,452	1%	15,452	-
	Volterra, Inc. -preference share B	-	Financial assets at fair value through profit or loss - non-current	34	1,655	-	1,655	-
	Dustphotonics, Inc. -preference share A	-	Financial assets at fair value through profit or loss - non-current	38	19,730	-	19,730	-
	Dustphotonics, Inc. -preference share B	-	Financial assets at fair value through profit or loss - non-current	5	2,348	-	2,348	-
	Astera Labs, Inc. -preference share A-1	-	Financial assets at fair value through profit or loss - non-current	490	-	-	-	-
	Astera Labs, Inc. -preference share B	-	Financial assets at fair value through profit or loss - non-current	64	3,859	-	3,859	
	Tallac Networks, Inc.	-	Financial assets at fair value through profit or loss - non-current	254	-	-	-	-
	Aspac Communications, Inc.	-	Financial assets at fair value through profit or loss - non-current	120	-	-	-	-
	Kai Chieh International Investment Ltd.	-	Financial assets at fair value through profit or loss - non-current	461	-	-	-	-
	MoBitS Electronics, Inc.	-	Financial assets at fair value through profit or loss - non-current	232	-	3%	-	-
	Fulfillment Plus Inc.	-	Financial assets at fair value through profit or loss - non-current	500	-	2%	-	-
	@Network, Inc.	-	Financial assets at fair value through profit or loss - non-current	100	-	-	-	-
	Telectronics International, Inc.	-	Financial assets at fair value through profit or loss - non-current	286	-	2%	-	-

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2019 Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	Note
Accton Investment Corp. (BVI)	Itelco Communication, Inc. - preference shares	-	Financial assets at fair value through profit or loss - non-current	202	$ -	-	$ -	-
	Network Excellence For Enterprises Corp. - preference shares	-	Financial assets at fair value through profit or loss - non-current	600	-	-	-	-
	Caspain Networks, Inc.	-	Financial assets at fair value through profit or loss - non-current	2	-	-	-	-
	Truetel Communications Inc.	-	Financial assets at fair value through profit or loss - non-current	600	-	3%	-	-
	Voipack Corporation - preference shares	-	Financial assets at fair value through profit or loss - non-current	1,075	-	-	-	-
	Ip Unity - preference shares	-	Financial assets at fair value through profit or loss - non-current	68	-	-	-	-
	Peracom Networks, Inc.	-	Financial assets at fair value through profit or loss - non-current	2,629	-	-	-	-
	Discovery Times Ltd.		Financial assets at fair value through profit or loss - non-current	-	-	-	-	-
	Engim, Inc. - preference shares A	-	Financial assets at fair value through profit or loss - non-current	455	-	-	-	-
	Engim, Inc. - preference shares A-1		Financial assets at fair value through profit or loss - non-current	2,308	-	-	-	-
	Softfoundry International Pte. Ltd.	-	Financial assets at fair value through profit or loss - non-current	833	-	-	-	-
	MiTAC Information Technology Corp.	-	Financial assets at fair value through profit or loss - non-current	15	-	-	-	-
	E2O Communications Inc.	-	Financial assets at fair value through profit or loss - non-current	30	-	-	-	-
Accton Century holding (BVI) Co., Ltd.	Bond	-						
	IND & COMM Bk Chn/Dubai	-	Financial assets at amortized cost - current	-	9,476	-	9,476	-
	Shares	-						
	@ Network, Inc.	-	Financial assets at fair value through profit or loss - non-current	167	-	-	-	-
	3CX Inc.	-	Financial assets at fair value through profit or loss - non-current	375	-	-	-	-
	Discovery Times Alpha Ltd.		Financial assets at fair value through profit or loss - non-current	-	-	-	-	-
	Telmax Communications Corp.	-	Financial assets at fair value through profit or loss - non-current	613	-	-	-	-
	Programmable Silicon Solutions		Financial assets at fair value through profit or loss - non-current	143	-	-	-	-
	Aviva Communications INC. - preference shares	-	Financial assets at fair value through profit or loss - non-current	30	-	-	-	-
	Conveigh Inc.		Financial assets at fair value through profit or loss - non-current	765	-	-	-	-
	Fortress	-	Financial assets at fair value through profit or loss - non-current	-	-	-	-	-
ACCTON ASIA INVESTMENT CORP. (BVI)	Shares	-						
	Zhuhai Jinfangda Technology Co., Ltd.		Financial assets at fair value through profit or loss - non-current	-	13,170	18%	13,170	-
Nocsys Inc.	Shares	-						
	Noctilucent (HK) Limited	-	Financial assets at fair value through profit or loss - non-current	-	-	19%	-	-

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
Edgecore Networks Corp.	Shares							
	ALFA Network Inc.	-	Financial assets at fair value through profit or loss - non-current	969	$ 26,970	19%	$ 26,970	-
	Big Switch Networks, Inc.	-	Financial assets at fair value through profit or loss - non-current	150	3,950	-	3,950	-
SMC NETWORKS, INC.	Shares							
	Humax Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	369	50,210 (USD 1,675)	-	50,210 (USD 1,675)	-
	Wedge Networks	-	Financial assets at fair value through profit or loss - non-current	250	-	1%	-	-

Note 1: As of December 31, 2019 the above marketable securities had not been pledged or mortgaged.

Note 2: Information on subsidiaries and associates refer to Table 7 and 8.

(Concluded)

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount (Note)	Gain (Loss) on Disposal	Shares	Amount
Accton Technology Corporation	UPAMC James Bond Money Market	Financial assets at fair value through profit or loss - current	-	-	-	$ -	46,216	$ 773,000	39,591	$ 662,377	$ 662,000	$ 377	6,625	$ 111,152
	Taishin Ta-Chong Money Market	Financial assets at fair value through profit or loss - current	-	-	-	-	47,377	674,000	47,377	674,397	674,000	397	-	-
	FSITC Money Market	Financial assets at fair value through profit or loss - current	-	-	-	-	3,792	678,000	2,653	474,078	473,985	93	1,139	204,080

Note: Disposed carrying amount is the acquisition cost.

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Accton Technology Corporation	Joy Technology (Shenzhen) Co., Ltd.	Investment accounted for using the equity method indirect subsidiary	Purchase	$ 29,089,029	66	Mainly paid on the 75th day after the shipment date	Specified at each transaction	Mainly paid on the 75th day after the shipment date	$ (6,714,543)	68	-
	Edgecore Networks Corp.	Subsidiary	Purchase	991,250	2	Mainly paid on the 45th day after the shipment date	Specified at each transaction	Mainly paid on the 45th day after the shipment date	(223,294)	2	-
	Edgecore USA	Subsidiary	Sale	13,734,453	25	Mainly paid on the 75th day after the received date	Specified at each transaction	Mainly paid on the 75th day after the shipment date	2,865,142	41	-
	Edgecore Networks Corp.	Subsidiary	Sale	4,995,788	9	Mainly paid on the 75th day after the shipment date	Specified at each transaction	Mainly paid on the 75th day after the shipment date	385,927	6	-
	Accton Logistics Corp. (USA)	Subsidiary	Sale	3,955,240	7	Mainly paid on the 90th day after the shipment date	Specified at each transaction	Mainly paid on the 90th day after the shipment date	644,489	9	-
	SMC Networks Inc.	Subsidiary	Sale	138,612	-	Mainly paid on the 60th day after the shipment date	Specified at each transaction	Mainly paid on the 60th day after the shipment date	25,986	-	-
Joy Technology (Shenzhen) Co., Ltd.	Accton Technology Co., Ltd.	Held by the same ultimate holding company	Sale	1,785,272	3	Mainly paid on the 75th day after the shipment date	Specified at each transaction	Mainly paid on the 75th day after the shipment date	669,020	10	-
Edgecore Networks Corp.	Edgecore Americas	Subsidiary	Sale	787,891	1	Mainly paid on the 75th day after the invoice date	Specified at each transaction	Mainly paid on the 75th day after the invoice date	316,846	5	-

TABLE 5

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance (Note 3)	Turnover Rate (Note 1)	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Accton Technology Corporation	Edgecore USA	Subsidiary	$ 2,866,206	4.79	$ 639,982	Strengthen collection	$ 628,015	$ -
	Accton Logistics Corp. (USA)	Subsidiary	671,656	6.59	-	-	-	-
	Edgecore Networks Corp.	Subsidiary	409,779	16.47	-	-	-	-
	Joy Technology (ShenZhen) Co., Ltd.	Investment accounted for using the equity method indirect subsidiary	515,140	Note 2	-	-	-	-
	Accton Century	Subsidiary	446,292	Note 2	-	-	446,292	-
Joy Technology (Shenzhen) Co., Ltd.	Accton Technology Corporation	Ultimate parent company	6,717,315	4.15	3,469,854	Strengthen collection	1,295,047	-
	Accton Technology Co., Ltd.	Held by the same ultimate holding company	669,020	2.50	198,804	Strengthen collection	137,795	-
Edgecore Networks Corporation	Joy Technology (Shen Zhen) Co., Ltd.	Held by the same ultimate holding company	519,845	Note 2	-	-	-	-
	Edgecore Americas	Subsidiary	316,846	2.13	548	Strengthen collection	99,084	-
	Accton Technology Corporation	Ultimate parent company	231,576	4.69	190,816	Strengthen collection	159,898	-
Accton Century	Accton Asia	Subsidiary	493,680	Note 2	-	-	493,680	-
Accton Asia	Joy Technology (Shen Zhen) Co., Ltd.	Subsidiary	553,705	Note 2	-	-	553,705	-

Note 1: Other receivables are not included in the calculation of turnover rate.

Note 2: The account is not subject to the calculation of turnover rate since its main composition is other receivables.

Note 3: Receivables from related parties include trade receivables - related parties and other receivables - related parties.

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEARS ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Counterparty	Nature of Relationship (Note 3)	Intercompany Transactions			
			Financial Statements Items	2019		Terms
				Amount	Percentage of Consolidated Total Gross Sales or Total Assets	
Accton	Edgecore USA	1	Sales	$ 13,734,453	25%	Note 1
	Edgecore Networks	1	Sales	4,995,788	9%	Note 1
	AL	1	Sales	3,955,240	7%	Note 1
	SMC USA	1	Sales	138,612	-	Note 1
	Joy Tech	1	Sales	7,920	-	Note 1
	4ipnet, Inc.		Sales	6,358	-	Note 1
	Accton SH	1	Sales	3,255	-	Note 1
	Joy Tech	1	Purchase and subcontract costs	28,089,029	53%	Note 1
	Edgecore Networks	1	Purchase and subcontract costs	991,250	2%	Note 1
	SMC USA	1	Purchase and subcontract costs	27,069	-	Note 1
	Edgecore Americas	1	Purchase and subcontract costs	16,449	-	Note 1
	Edgecore Networks	1	Operating expenses	394,276	1%	Note 1
	Accton USA	1	Operating expenses	86,579	-	Note 1
	Accton SH	1	Operating expenses	4,908	-	Note 1
	Edgecore USA	1	Trade receivables from related parties	2,865,142	10%	Note 2
	AL	1	Trade receivables from related parties	644,489	2%	Note 2
	Edgecore Networks	1	Trade receivables from related parties	385,927	1%	Note 2
	SMC USA	1	Trade receivables from related parties	25,986	-	Note 2
	Joy Tech	1	Other receivables from related parties	515,140	2%	Note 2
	Accton Century	1	Other receivables from related parties	446,292	2%	Note 2
	AL	1	Other receivables from related parties	27,167	-	Note 2
	Edgecore Networks	1	Other receivables from related parties	23,852	-	Note 2
	4ipnet, Inc.	1	Other receivables from related parties	14,010	-	Note 2
	Joy Tech	1	Trade payables to related parties	6,714,543	23%	Note 1
	Edgecore Networks	1	Trade payables to related parties	223,294	1%	Note 1
	Accton USA	1	Other payables to related parties	124,783	-	Note 1
	Accton SH	1	Other payables to related parties	27,250	-	Note 1
	Edgecore Networks	1	Other payables to related parties	8,282	-	Note 1
Joy Tech	Accton SH	3	Sales	1,785,272	3%	Note 1
	ATAN Networks	3	Sales	5,811	-	Note 1
	Accton SH	3	Purchase and subcontract costs	15,046	-	Note 1
	Edgecore Networks	3	Purchase and subcontract costs	3,042	-	Note 1
	Accton SH	3	Trade receivables from related parties	669,020	2%	Note 1
	Edgecore Networks	3	Trade payables to related parties	519,845	2%	Note 1
	Accton Asia	3	Other payables to related parties	553,705	2%	Note 1

(Continued)

Company Name	Counterparty	Nature of Relationship (Note 3)	Intercompany Transactions			
			Financial Statements Items	2019		Terms
				Amount	Percentage of Consolidated Total Gross Sales or Total Assets	
Edgecore Networks	Edgecore Americas	3	Sales	$ 787,891	1%	Note 1
	Edgecore USA	3	Sales	16,149	-	Note 1
	ATAN Networks	3	Sales	4,090	-	Note 1
	4ipnet, Inc.	3	Purchase and subcontract costs	37,794	-	Note 1
	Accton SH	3	Purchase and subcontract costs	3,396	-	
	Edgecore Americas	3	Operating expenses	101,304	-	Note 1
	Edgecore Singapore	3	Operating expenses	41,951	-	Note 1
	Edgecore Americas	3	Trade receivables from related parties	316,846	1%	Note 1
	ATAN Networks	3	Trade receivables from related parties	3,667	-	Note 1
	Edgecore Americas	3	Other payables to related parties	6,543	-	Note 1
	Edgecore Singapore	3	Other payables to related parties	4,475	-	Note 1
Accton USA	AL	3	Other receivables from related parties	35,403	-	Note 1
Edgecore USA	Edgecore Americas	3	Sale	3,891	-	Note 1
	Edgecore Americas	3	Trade receivables from related parties	3,715	-	Note 1
Accton SH	ATAN Networks	3	Sale	5,657	-	
	ATAN Networks	3	Trade receivables from related parties	4,606	-	
4ipnet, Inc.	SMC USA	3	Sales	8,290	-	
Accton Century	Accton Asia	3	Other receivables from related parties	493,680	2%	Note 1

Note 1: The transactions were made at prices agreed upon by the transacting parties.

Note 2: Transaction settlement was from 60 to 90 days.

Note 3: No. 1 represents the transaction between the parent company and its subsidiary.

No. 3 represents the transaction between the subsidiaries.

(Concluded)

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

NAMES LOCATIONS AND RELATED INFORMATION OF INVESTEES ON WHICH THE CORPORATION EXERCISES SIGNIFICANT INFLUENCE
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Investor Company	Equity-method Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2019			Net Income of the Equity-method Investee	Investment Income	Note
				December 31, 2019	December 31, 2018	Shares (Thousands)	% of Ownership	Carrying Value			
Accton Technology Corporation	Accton Century Holding (BVI) Co., Ltd.	British Virgin Islands	Investment holding company	$ 1,664,416	$ 1,664,416	51,973	100	$ 4,136,769	$ 621,906	$ 634,218	Notes 1 and 2
	Edgecore Networks Corp.	Hsin Chu	Research, development, design and manufacture of switching hubs	650,000	650,000	50,000	100	1,427,498	548,566	548,566	Note 1
	SMC Networks Inc.	USA	Sale of Network products	769,644	769,644	24,149	100	147,732	(22,621)	(22,621)	Note 1
	Accton Technology (China) Co., Ltd.	Cayman Islands	Investment holding company	279,635	279,635	6,600	100	99,731	44,343	44,343	Note 1
	Accton Technology Corp. USA	USA	Service of technique of high-quality LAN hardware and software products	342,132	342,132	2,199	100	176,257	886	886	Note 1
	Accton Investment Corp. (BVI)	British Virgin Islands	Investment holding company	79,676	79,676	1,004	100	162,752	3,911	(4,925)	Note 1
	ACCTON LOGISTICS CORP. (USA)	USA	Selling and marketing of high-quality LAN hardware and software products	89,267	89,267	1	100	60,459	3,158	3,158	Note 1
	Edgecore USA, Corp..	USA	Selling and marketing of high-quality LAN hardware and software products	35,316	-	10	100	(140,643)	15,257	8,027	Notes 1 and 6
	NOCSYS INC.	Cayman Islands	Investment holding company	199,434	199,434	-	100	2,861	(58)	(58)	Note 1
	E-Direct Corp.	Taipei	Provides services in information software and information technology	43,075	43,075	3,852	100	79,419	22,137	22,137	Note 1
	WayStorm Co. Ltd.	Taipei	Provides cell phone software	-	39,500	-	-	-	-	-	Note 4
	Metalligence Technology Corp.	Taipei	Provides e-commerce apps, information software and advertising services	46,407	161,000	4,641	100	12,324	(12,832)	(12,832)	Notes 1 and 7
	Oenix Biomed Co., Ltd.	Taipei	Research and development of health care services and equipment	20,000	20,000	2,000	40	14,369	(5,522)	(2,209)	Note 1
	4ipnet, Inc.	Taipei	Research, development, manufacture and selling of wireless products and solutions for enterprises	50,000	50,000	7,840	98	(19,279)	(46,135)	(42,064)	Notes 1 and 2
Accton Century Holding (BVI) Co., Ltd.	Accton Asia Investments Corp. (BVI)	British Virgin Islands	Investment holding company	1,262,338 (USD 42,106)	1,262,338 (USD 42,106)	42,106	100	4,037,943	621,834	621,834	Note 1
Accton Investment Corp. (BVI)	Alpha Telecom, Inc.	USA	Sale and manufacture of Communication transmission, VoIP and IDSN equipment	7,495 (USD 250)	7,495 (USD 250)	2,647	30	-	-	-	Note 3

(Continued)

Investor Company	Equity-method Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2019			Net Income of the Equity-method Investee	Investment Income	Note
				December 31, 2019	December 31, 2018	Shares (Thousands)	% of Ownership	Carrying Value			
Edgecore Networks Corp.	SMC Networks Spain, S.L.	Spain	Sale of network products	$ -	$ 4,061	-	-	$ -	$ 7,221	$ 7,221	Notes 1 and 5
	Edgecore Networks Singapore Pte. Ltd.	Singapore	Sell high-quality LAN hardware and software products	22,466	22,466	3,557	100	22,712	850	850	Note 1
	Edgecore Cayman, Corp.	Cayman Islands	Investment holding company	30,285	30,285	1,000	100	(39,174)	2,185	2,185	Note 1
	Horwood Limited	Cayman Islands	Investment holding company	6,868	6,868	2,000	100	8,537	(2,053)	(1,315)	Note 1
Edgecore Cayman Corp.	Edgecore USA, Corp.	USA	Sell high-quality LAN hardware and software products	-	16,381	-	-	-	15,257	7,230	Note 6
	Edgecore Americas Networking Corp.	USA	Sell high-quality LAN hardware and software products	-	-	-	100	(84,345)	(3,605)	(3,605)	Note 1
E-Direct Corp.	WayStorm Co., Ltd.	Taipei	Provides cell phone software	-	10,000	-	-	-	-	-	Note 4
Edgecore Networks Singapore Pte. Ltd.	Accton Technology Vietnam Company Limited	Vietnam	Sale of network products	8,994 (USD 300)	8,994 (USD 300)	-	100	3,988 (SGD 179)	-	-	Note 1
SMC Networks Inc.	IgniteNet EU	Lithuania	Research on high-quality LAN hardware and software products	-	50,007 (USD 1,668)	-	-	-	(660) (USD 22)	(660) (USD 22)	Note 8

Note 1: Based on audited financial statements.

Note 2: After adjustment of gains or losses from related parties.

Note 3: Recognized an impairment loss.

Note 4: Way Storm Co., Ltd. completed its liquidation in April 2019.

Note 5: SMC Networks Spain completed its liquidation in August 2019.

Note 6: In order to reorganize the Company’s organizational structure, the Company acquired 100% of Edgecore USA Corporation’s shares which were held by Edgecore Cayman in August 2019.

Note 7: Metalligence Technology Corporation completed its capital deduction to cover losses and transferred its currency debts to capital in September 2019.

Note 8: IgniteNet EU completed its liquidation in November 2019.

(Concluded)

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 2)	Method of Investment	Accumulated Outflow Remittance for Investment from Taiwan as of January 1, 2019 (Note 2)	Investment Flows		Accumulated Outflow Remittance for Investment from Taiwan as Of December 31, 2019 (Note 2)	Net Income (Loss) of the Investee	Percentage of Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019	Note
					Outflow	Inflow							
Joy Technology (Shenzhen) Co., Ltd.	Selling and producing of high-end networks switches	$ 1,334,110 (USD 44,500)	Note 1	$ 1,109,260 (USD 37,000)	$ -	$ -	$ 1,109,260 (USD 37,000)	$ 636,419	100%	$ 636,419	$ 4,004,652	$ -	Note 3
Accton Technology Co., Ltd.	Selling and marketing of network products	179,880 (USD 6,000)	Note 1	179,880 (USD 6,000)	-	-	179,880 (USD 6,000)	44,511	100%	44,511	92,844	-	Note 3
Noctilucent Systems (Shanghai) Limited	Development, design and manufacture of software, selling product and consultation and service of technique	149,900 (USD 5,000)	Note 1	196,879 (USD 6,567)	-	-	196,879 (USD 6,567)	-	-	-	-	-	Notes 5 and 8
ATAN Networks Co., Ltd.	Selling and marketing of network products	59,960 (USD 2,000)	Note 11	59,960 (USD 2,000)	-	-	59,960 (USD 2,000)	(6,061)	100%	(6,061)	3,696	-	Notes 3 and 10

Equity-method Investee Company	Accumulated Investment in Mainland China as of December 31, 2019 (USD in Thousands)	Investment Amounts Authorized by the Investment Commission MOEA (USD in Thousands)	Ceiling Amount on of the Corporation's Investment in Mainland China
Joy Technology (Shenzhen) Co., Ltd.	USD 37,000	USD 44,500 (Note 4)	$ 7,680,232
Accton Technology Co., Ltd.	USD 6,000	USD 6,000	
Noctilucent Systems (Shanghai) Limited	USD 6,567 (Notes 5 and 8)	USD 5,000	
ATAN Networks Co., Ltd.	USD 2,000	USD 2,000	
Arcadyan Technology (Shanghai) Corp. (Note 6)	USD 684	USD 5,586	
Tomato Technology (Shanghai) Corp. (Note 7)	USD 380	USD 380	
Zhuhai Jinfangda Technology Co., Ltd. (Note 9)	USD 937	USD 937	

Note 1: Investment made in mainland China was through the Company's subsidiaries that are located in the third region.

Note 2: Based on the exchange rate as of December 31, 2019.

Note 3: The amount was recognized based on the audited financial statements.

Note 4: Issuance of ordinary shares out of retained earnings amounted to USD7,500 thousand.

Note 5: Repayment of debt amounted to USD1,567 thousand.

Note 6: In December 2009, the Company sold 17% shares of Arcadyan Technology (Shanghai) Co., Ltd. to Arcadyan Technology Company and its affiliates.

(Continued)

Note 7: Tomato Technology (Shanghai) Corp. was sold in July 2009. The Investment Commission of the Ministry of Economic Affairs approved the sale of the investment.

Note 8: In September 2017, the Company sold Noctilucent (HK)'s 81% shares and jointly disposed of Noctilucent Systems (Shanghai) Limited. The resale case was approved by the Ministry of Economic Affairs for review. In addition, as stated in the letter issued by the Ministry of Economic Affair Investment Review Committee, when Nocsys remits the transferred share capital, the accumulated investment in mainland China will be deducted.

Note 9: On April 19, 2019, the Company got the approval from the Investment Board, Ministry of Economic Affairs to invest in Zhuhai Jinfangda Technology Co., Ltd. which was recognized under the financial assets at fair value through profit or loss - non-current.

Note 10: In order for Edgecore Networks Corporation to reorganize the Group's organizational structure, Edgecore Networks Corporation acquired 100% of ATAN Newworks Co., Ltd.'s shares which were held by Horwood Limited in September 2019.

Note 11: Originally, the investment in mainland China was through the Company's subsidiaries that is located in the third region. Since the Company reorganized its organization structure in September 2019, Edgecore Networks Corporation will invest in mainland China directly.

(Concluded)

V. Individual Financial Statements Certified by CPAs of the Most Recent Year

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Accton Technology Corporation

Opinion

We have audited the accompanying financial statements of Accton Technology Corporation (the "Company") which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, 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 Attestation of Financial Statements by Certified Public Accountants and 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 Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis 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 financial statements for the year ended December 31, 2019. 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.

The key audit matters identified in the Company's parent company only financial statements for the year ended December 31, 2019 are stated as follows:

Revenue recognition

For the year ended December 31, 2019, the Company's net operating revenue was NT$49,953,689 thousand. Refer to Notes 4 and 22 to the financial statements for the detailed information on accounting policies on revenue.

The Group's operating revenue in recent years have significantly impacted the financial statements for the year ended December 31, 2019. However, sales from some of the Company's customers have grown significantly; therefore, we considered the occurrence of revenue as a key audit matter.

In response to the above key audit matter, we performed the following procedures:

1. We understood the internal control design and operating procedures regarding the sales transaction cycle, and we assessed the effectiveness of the internal control operations.

2. We obtained new client's information and inspected whether it was consistent with the system of the customer and was approved by the competent supervisor or not.

3. We selected appropriate samples from sales and inspected whether purchase orders and delivery orders were consistent with invoices or not.

4. We selected appropriate samples from accounts receivable and reviewed whether certificates of remittance and counterparties were consistent with the recorded amounts and counterparties and were approved by the competent supervisor or not.

5. We inspected and analyzed the reasonableness of sales returns and discounts in the subsequent period.

Responsibilities of Management and Those Charged with Governance for the 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 the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the 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 the 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 entities or business activities within the Company to express an opinion on the 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 for the year ended December 31, 2019 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 Cheng Chih Lin and Yu Feng Huang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 19, 2020

<u>*Notice to Readers*</u>

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with 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 financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

ACCTON TECHNOLOGY CORPORATION

BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 3,382,500	11	$ 2,507,795	11
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 30)	315,232	1	-	-
Financial assets at fair value through other comprehensive income - current (Notes 4, 8 and 30)	123,235	-	144,138	1
Financial assets at amortized cost - current (Notes 4, 9 and 30)	4,103,392	14	-	-
Trade receivables, net (Notes 4, 5 and 10)	4,162,120	14	5,387,144	23
Receivables from related parties (Notes 4, 5 and 31)	3,782,379	13	3,662,369	16
Other receivables (Notes 4 and 10)	80,806	-	63,775	-
Other receivables from related parties (Notes 4 and 31)	1,013,925	3	781,590	3
Inventories (Notes 4, 5 and 11)	5,059,526	17	3,667,679	16
Prepayments (Note 16)	102,990	-	97,061	1
Other current assets (Note 16)	6,186	-	10,129	-
Total current assets	22,132,291	73	16,321,680	71
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 30)	89,731	1	107,022	1
Financial assets at amortized cost - non-current (Notes 4, 9 and 30)	-	-	16,010	-
Investments accounted for using the equity method (Notes 4, 12 and 31)	6,320,171	21	6,029,096	26
Property, plant and equipment (Notes 4, 13 and 31)	894,509	3	448,783	2
Right-of-use assets (Notes 3, 4, 5 and 14)	521,032	2	-	-
Intangible assets (Notes 4 and 15)	49,263	-	32,385	-
Deferred tax assets (Notes 4 and 24)	46,294	-	44,371	-
Prepayments for equipment	73,028	-	9,123	-
Refundable deposits	24,050	-	12,534	-
Other non-current assets - other (Notes 16 and 32)	22,000	-	15,500	-
Total non-current assets	8,040,078	27	6,714,824	29
TOTAL	$ 30,172,369	100	$ 23,036,504	100

	2019		2018	
LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Contract liabilities - current (Notes 4 and 22)	$ 542,726	2	$ 331,042	1
Trade payables	4,787,686	16	3,038,121	13
Trade payables to related parties (Note 31)	6,937,837	23	7,423,671	32
Bonuses to employees and directors (Note 23)	743,421	2	517,884	2
Payables to machinery and equipment	123,867	-	67,936	-
Other payables (Note 18)	1,759,399	6	600,158	3
Other payables to related parties (Note 31)	165,477	1	208,448	1
Current tax liabilities (Notes 4 and 24)	749,646	3	382,264	2
Provisions - current (Notes 4 and 19)	44,380	-	143,552	1
Lease liabilities - current (Notes 3, 4, 5 and 14)	79,771	-	-	-
Deferred revenue - current (Notes 17 and 27)	8,317	-	-	-
Refund liabilities - current (Note 22)	3,179	-	23,369	-
Total current liabilities	15,945,706	53	12,736,445	55
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 17)	920,639	3	-	-
Lease liabilities - non-current (Notes 3, 4, 5 and 14)	429,941	2	-	-
Deferred revenue - non-current (Notes 17 and 27)	44,044	-	-	-
Net defined benefit liabilities - non-current (Notes 4 and 20)	26,809	-	27,331	-
Guarantee deposits	816	-	826	-
Other non-current liabilities (Note 12)	4,027	-	-	-
Total non-current liabilities	1,426,276	5	28,157	-
Total liabilities	17,371,982	58	12,764,602	55
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 21 and 26)				
Share capital				
Ordinary shares	5,580,514	18	5,575,899	24
Capital surplus	805,715	3	795,148	3
Retained earnings				
Legal reserve	1,348,157	4	1,052,912	5
Special reserve	307,492	1	253,675	1
Unappropriated earnings	5,347,752	18	2,952,758	13
Total retained earnings	7,003,401	23	4,259,345	19
Other equity	(538,244)	(2)	(307,491)	(1)
Treasury shares	(50,999)	-	(50,999)	-
Total equity	12,800,387	42	10,271,902	45
TOTAL	$ 30,172,369	100	$ 23,036,504	100

The accompanying notes are an integral part of the financial statements.

ACCTON TECHNOLOGY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 22 and 31)	$49,953,689	100	$41,218,729	100
OPERATING COSTS (Notes 4, 11, 20, 23 and 31)	41,812,113	84	35,510,073	86
GROSS PROFIT	8,141,576	16	5,708,656	14
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Note 4)	101,255	-	(207,747)	(1)
REALIZED GROSS PROFIT	8,242,831	16	5,500,909	13
OPERATING EXPENSES (Notes 4, 10, 20, 23 and 31)				
Selling and marketing	1,245,650	2	1,190,798	3
General and administrative	977,931	2	712,324	1
Research and development	1,414,273	3	1,205,377	3
Expected credit loss	-	-	711	-
Total operating expenses	3,637,854	7	3,109,210	7
OPERATING INCOME	4,604,977	9	2,391,699	6
NON-OPERATING INCOME AND EXPENSES (Notes 4, 12, 23 and 31)				
Other income	144,013	-	70,812	-
Other gains and losses	(110,873)	-	19,345	-
Finance costs	(13,213)	-	(2,818)	-
Share of profit of subsidiaries and associates	1,176,626	3	879,601	2
Total non-operating income and expenses	1,196,553	3	966,940	2
PROFIT BEFORE INCOME TAX	5,801,530	12	3,358,639	8
INCOME TAX EXPENSE (Notes 4 and 24)	851,035	2	406,190	1
NET INCOME FOR THE YEAR	4,950,495	10	2,952,449	7

(Continued)

ACCTON TECHNOLOGY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (Notes 4, 20 and 21)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	$ (10)	-	$ (1,945)	-
Unrealized gain on investment in equity instruments at fair value through other comprehensive income	13,913	-	21,804	-
Share of the other comprehensive loss of subsidiaries accounted for using the equity method	(986)	-	(41,878)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(219,425)	-	(52,279)	-
Other comprehensive loss for the year, net of income tax	(206,508)	-	(74,298)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 4,743,987	10	$ 2,878,151	7
EARNINGS PER SHARE (Note 25)				
Basic	$ 8.91		$ 5.33	
Diluted	$ 8.76		$ 5.23	

The accompanying notes are an integral part of the financial statements.

(Concluded)

ACCTON TECHNOLOGY CORPORATION

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company									
			Retained Earnings			Other Equity				
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares	Total
BALANCE AT JANUARY 1, 2018	$ 5,544,949	$ 776,739	$ 797,395	$ 253,675	$ 2,555,175	$ (220,904)	$ (14,223)	$ -	$ (50,999)	$ 9,641,807
Effect of retrospective application and retrospective restatement	-	-	-	-	2,254	-	14,223	(14,234)	-	2,243
BALANCE AT JANUARY 1, 2018 AS RESTATED	5,544,949	776,739	797,395	253,675	2,557,429	(220,904)	-	(14,234)	(50,999)	9,644,050
Other changes in capital surplus										
Cash dividends received by subsidiaries from parent company	-	9,129	-	-	-	-	-	-	-	9,129
Appropriation of 2017 earnings										
Legal reserve	-	-	255,517	-	(255,517)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(2,299,658)	-	-	-	-	(2,299,658)
Net profit for the year ended December 31, 2018	-	-	-	-	2,952,449	-	-	-	-	2,952,449
Other comprehensive loss for the year ended December 31, 2018, net of income tax	-	-	-	-	(1,945)	(52,279)	-	(20,074)	-	(74,298)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	2,950,504	(52,279)	-	(20,074)	-	2,878,151
Share-based payment arrangements	30,950	9,280	-	-	-	-	-	-	-	40,230
BALANCE AT DECEMBER 31, 2018	5,575,899	795,148	1,052,912	253,675	2,952,758	(273,183)	-	(34,308)	(50,999)	10,271,902
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	23,717	-	-	(23,717)	-	-
Other changes in capital surplus										
Cash dividends received by subsidiaries from parent company	-	8,836	-	-	-	-	-	-	-	8,836
Appropriation of 2018 earnings										
Legal reserve	-	-	295,245	-	(295,245)	-	-	-	-	-
Special reserve	-	-	-	53,817	(53,817)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(2,230,684)	-	-	-	-	(2,230,684)
Net profit for the year ended December 31, 2019	-	-	-	-	4,950,495	-	-	-	-	4,950,495
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	528	(219,425)	-	12,389	-	(206,508)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	4,951,023	(219,425)	-	12,389	-	4,743,987
Share-based payment arrangements	4,615	1,731	-	-	-	-	-	-	-	6,346
BALANCE AT DECEMBER 31, 2019	$ 5,580,514	$ 805,715	$ 1,348,157	$ 307,492	$ 5,347,752	$ (492,608)	$ -	$ (45,636)	$ (50,999)	$ 12,800,387

The accompanying notes are an integral part of the financial statements.

ACCTON TECHNOLOGY CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 5,801,530	$ 3,358,639
Adjustments for:		
Depreciation	261,001	110,269
Amortization	27,855	24,058
Expected credit loss	-	711
Net loss on fair value changes of financial assets designated as at fair value through profit or loss	15,295	28,339
Finance costs	13,213	2,818
Interest income	(69,311)	(41,308)
Dividend income	(8,937)	(9,904)
Dividends received from investments accounted for using equity method	501,891	686,467
Share of profit of subsidiaries and associates	(1,176,626)	(879,601)
(Gain) loss on disposal of property, plant and equipment	(806)	21
Loss on disposal of subsidiary	49	3,140
Write-downs of inventories	125,778	-
Unrealized (gain) loss on transactions with subsidiaries	(101,255)	207,747
Unrealized loss (gain) on foreign currency exchange	110,869	(45,380)
Loss on lease modification	231	-
Changes in operating assets and liabilities		
Trade receivables	1,148,715	(1,610,701)
Trade receivables from related parties	(373,633)	(1,368,650)
Other receivables	(4,744)	(27,789)
Other receivables from related parties	209,426	328,126
Inventories	(1,517,625)	(669,256)
Prepayments	(5,929)	(43,594)
Other current assets	(2,557)	(10,018)
Contract liabilities	211,684	117,689
Trade payables	1,846,327	1,220,560
Trade payables to related parties	(288,686)	559,861
Other payables	1,386,399	252,434
Other payables to related parties	(37,665)	72,786
Provisions	(99,172)	140,552
Refund liabilities	(20,190)	(19,725)
Net defined benefit liabilities	(532)	(656)
Cash generated from operations	7,952,595	2,387,635
Interest paid	(13,152)	(2,818)
Income tax paid	(446,081)	(322,492)
Net cash generated from operating activities	7,493,362	2,062,325

(Continued)

ACCTON TECHNOLOGY CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	$ (1,041)	$ -
Proceeds from sale of financial assets at fair value through other comprehensive income	35,857	-
Purchase of financial assets at amortized cost	(4,087,480)	(297,690)
Proceeds from sale of financial assets at amortized cost	-	895,568
Purchase of financial assets at fair value through profit or loss	(2,260,000)	(1,464,000)
Proceeds from sale of financial assets at fair value through profit or loss	1,946,764	1,480,110
Net cash outflow on acquisition of subsidiaries	(35,316)	-
Net cash inflow on disposal of subsidiaries	5	-
Acquisition of property, plant and equipment	(651,528)	(110,939)
Proceeds from disposal of property, plant and equipment	1,029	3,078
Increase in refundable deposits	(11,762)	(4,819)
Acquisition of intangible assets	(44,733)	(22,659)
Proceeds from disposal of intangible assets	-	185
Interest received	56,892	44,907
Dividends received	8,937	9,904
Net cash generated (used in) from investing activities	(5,042,376)	533,645
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	100,000	-
Repayments of short-term borrowings	(100,000)	-
Proceeds from long-term borrowings	1,073,000	-
Repayments of long-term borrowings	(100,000)	-
Guarantee deposits refunded	(10)	(11)
Repayment of the principal portion of lease liabilities	(73,934)	-
Dividends paid to owners of the Company	(2,230,684)	(2,299,658)
Employee share options	6,346	40,230
Net cash used in financing activities	(1,325,282)	(2,259,439)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(250,999)	61,696
NET INCREASE IN CASH AND CASH EQUIVALENTS	874,705	398,227
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,507,795	2,109,568
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 3,382,500	$ 2,507,795

The accompanying notes are an integral part of the financial statements. (Concluded)

1. GENERAL INFORMATION

Accton Technology Corporation (the "Company") was incorporated in Hsinchu Science-based Industrial Park in February 1988. The Company develops, manufactures and sells innovative high-quality products for computer network systems and wireless land area network (LAN) hardware and software products and renders related technical consulting and engineering design services.

The Company's shares has been listed on the Taiwan Stock Exchange since November 1995.

The functional currency of the Company is New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company's board of directors on March 19, 2020.

3. APPLICATION OF NEW AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

b.

1. Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company's accounting policies:

1) IFRS 16 "Leases"

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

<u>Definition of a lease</u>

The Company elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases on the balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the parent company only statements of comprehensive income, the Company presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the parent company only statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the statements of cash flows.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities. Except for the following practical expedients which are to be applied, the Company applies IAS 36 to all right-of-use assets.

The Company also applies the following practical expedients:

a) The Company applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Company accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

c) The Company excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

d) The Company uses hindsight, such as in determining lease terms, to measure lease liabilities.

The lessee's weighted average incremental borrowing rate used by the Company to calculate lease liabilities recognized on January 1, 2019 is 1.94%. The reconciliation between the lease liabilities recognized and the future minimum lease payments of non-cancellable operating lease on December 31, 2018 is presented as follows:

The future minimum lease payments of non-cancellable operating lease on December 31, 2018	$ 180,434
Less: Recognition exemption for short-term leases	(25,414)
Undiscounted gross amounts on January 1, 2019	$ 155,020
Discounted using the incremental borrowing rate on January 1, 2019	$ 142,343
Add: Adjustments as a result of a different treatment of extension options	170,317
Lease liabilities recognized on January 1, 2019	$ 312,660

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Right-of-use assets	$ -	$ 312,660	$ 312,660
Total effect on assets	$ -	$ 312,660	$ 312,660
Lease liabilities - current	$ -	$ 40,062	$ 40,062
Lease liabilities - non-current	-	272,598	272,598
Total effect on liabilities	$ -	$ 312,660	$ 312,660

2) IFRIC 23 "Uncertainty over Income Tax Treatments"

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Company should assume that the taxation authority has full knowledge of all related information when making related examinations. If the Company concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Company should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Company should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Company expects to better predict the resolution of the uncertainty. The Company has to reassess its judgements and estimates if facts and circumstances change.

3) Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Company applied the above amendments prospectively.

Except for the above impact, as of the date the accompanying parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Company shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the accompanying parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

As of the date the accompanying parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

A.

B. The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries and the related equity items, as appropriate, in these parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting parent company only financial statements, the foreign operation (including subsidiaries and associates in other countries that use currency different from the currency of the Company) are translated into the presentation currency - the New Taiwan dollar as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is included in the calculation of equity transactions but is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

e. Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to Company similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date. Inventory is evaluated and recorded with standard cost under daily operation; but on the closing date, the Company will calculate the actual cost of inventory by weighted average method.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

Subsidiaries are the entities controlled by the Company.

Under the equity method, the investment in a subsidiary is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiary.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investments in associates

An associate is an entity over which the Company has significant influence and that is not a subsidiary. The Company uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of the equity of associates attributable to the Company.

When the Company subscribes for additional new shares of an associate and joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate and joint venture. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate and joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

h. Property, plant, and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Depreciation on property, plant, and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

i. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is derecognized in profit or loss.

j. Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when a Company entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 30.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets, including cash and cash equivalents, trade receivables (include related parties), other receivables (include related parties), pledged time deposits, and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets

ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Fair value is determined in the manner described in Note 30.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

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

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

l. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Warranties

Provisions for the expected cost of warranty obligations to assure that products comply with agreed-upon specifications are recognized on the date of sale of the relevant products at the best estimate by the management of the Company of the expenditures required to settle the Company's obligations.

m. Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied. The advanced payments for sales of products are recognized as contract liabilities until the Company fulfills its performance obligations.

Revenue from the sale of goods

Revenue from the sale of goods comes from sales of network communication equipment. Based on the different trading conditions of the network communication equipment, sales of goods are recognized as revenue when they are delivered to the customer's specific location and the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. When the customer initially purchases the goods, the transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

n. Leasing

2019

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

1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Company subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Company, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee’s incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

2018

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Company as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

o. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they are received.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

p. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Current service cost and net interest on the net defined benefit liability are recognized as employee benefit expenses in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability represents the actual deficit in the Company’s defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

q. Share-based payment arrangements

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in non-controlling interests. It is recognized as an expense in full at the grant date if vesting immediately.

At the end of each reporting period, the Company revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options.

r. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

s. Treasury Shares

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

The Company records its shares held by its subsidiaries as treasury shares. The recorded costs of treasury shares are based upon the carrying values of the shares as shown in the subsidiaries' books. The cash dividends received by the subsidiaries from the Company are recorded under capital surplus - treasury shares.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

a. Estimated impairment of financial assets

The provision for impairment of trade receivables, investments in debt instruments, and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

c. Lessees' incremental borrowing rates

In determining a lessee's incremental borrowing rate used in discounting lease payments, a risk-free rate for the same currency and relevant duration is selected as a reference rate, and the lessee's credit spread adjustments and lease specific adjustments (such as asset type, secured position, etc.) are also taken into account.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Cash on hand	$ 643	$ 736
Checking accounts and demand deposits	2,002,517	1,063,454
Cash equivalents		
Time deposits with original maturities of less than 3 months	1,379,340	1,443,605
	$ 3,382,500	$ 2,507,795

The market rate intervals of cash in bank and bank overdrafts at the end of the reporting period were as follows:

	December 31	
	2019	2018
Bank balance	0.001%-2.330%	0.001%-3.250%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	2018
Financial assets at FVTPL - current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	$ 315,232	$ -
Financial assets at FVTPL - non-current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic and foreign unlisted shares	$ 89,731	$ 107,022

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2019	2018
Current		
Domestic investments		
Listed shares and emerging market shares	$ 123,235	$ 144,138

These investments in equity instruments are not held for trading. Instead, they are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2019	**2018**
Current		
Time deposits with original maturity of more than 3 months (a)	$ 4,087,480	$ -
Bond investment (b)	15,912	-
	$ 4,103,392	$ -
Non-current		
Bond investment (b)	$ -	$ 16,010

a. The ranges of interest rates for time deposits with original maturities of more than 3 months were 0.65%-2.37% per annum as of December 31, 2020, respectively.

b. In October 2016, the Company bought corporate bonds issued by Industrial and Commercial Bank of China Limited, New York Branch at face value of $500 thousand, which will expire on November 13, 2020, with an effective interest rate of 2.24%.

Refer to Note 30 for information relating to their credit risk management and impairment.

10. TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2019	**2018**
Trade receivables		
At amortized cost		
Gross carrying amount	$ 4,163,645	$ 5,388,669
Less: Allowance for impairment loss	(1,525)	(1,525)
	$ 4,162,120	$ 5,387,144
Other receivables		
At amortized cost		
Gross carrying amount	$ 83,852	$ 66,821
Less: Allowance for impairment loss	(3,046)	(3,046)
	$ 80,806	$ 63,775

a. Trade receivables

The average credit period for sales of goods was 30 days, and some customers have credit period of 45 to 90 days after the end of the month. No interest was charged on trade receivables. Sufficient collateral was obtained, where appropriate, as a means of mitigating the risk of financial loss from default. Allowance for impairment loss was recognized against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of counterparties and analysis of their current financial position.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected credit loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtors' current financial position, adjusted for factors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. The Company estimates expected credit losses based on the number of days for which receivables are past due. As the Company's historical credit loss experience shows significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status of receivables is not further distinguished according to the Company's different customer base.

The Company writes off a trade receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery of the receivable. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

December 31, 2019

	Not Past Due	Less than 60 Days	61 to 180 Days	Over 180 Days	Total
Gross carrying amount	$ 4,063,983	$ 99,662	$ -	$ -	$ 4,163,645
Loss allowance (Lifetime ECL)	-	(1,525)	-	-	(1,525)
Amortized cost	$ 4,063,983	$ 98,137	$ -	$ -	$ 4,162,120

December 31, 2018

	Not Past Due	Less than 60 Days	61 to 180 Days	Over 120 Days	Total
Gross carrying amount	$ 4,913,591	$ 475,078	$ -	$ -	$ 5,388,669
Loss allowance (Lifetime ECL)	-	(1,525)	-	-	(1,525)
Amortized cost	$ 4,913,591	$ 473,553	$ -	$ -	$ 5,387,144

The movements of the loss allowance of trade receivables were as follows:

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 1,525	$ 312,676
Add: Amounts recovered	-	711
Less: Amounts written off	-	(311,862)
Balance at December 31	$ 1,525	$ 1,525

b. Other receivables

The average credit period for sales of goods was 30 days, and some customers have credit period of 30 to 45 days after the end of the month. No interest was charged on other receivables. Sufficient collateral was obtained, where appropriate, as a means of mitigating the risk of financial loss from default. The Company uses other publicly available financial information or its own trading records to rate its major customers.

The movements of the loss allowance of other receivables were as follows:

	For the Year Ended December 31	
	2019	2018
Balance at January 1 and December 31	$ 3,046	$ 3,046

As of December 31, 2019 and December 31, 2018, the amount of allowance losses did not include individual impairment of other receivables that were subject to risk control due to tight cash flow from customers.

11. INVENTORIES

	December 31	
	2019	2018
Merchandise	$ 838,085	$ 442,189
Finished goods	647,797	428,994
Work in process	420,368	195,127
Raw materials	3,153,276	2,601,369
	$ 5,059,526	$ 3,667,679

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was $41,812,113 thousand and $35,510,073 thousand, respectively. The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 included of inventory write-downs and obsolescence losses was $125,778 thousand and $0.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

a. Investments in subsidiaries

	December 31	
	2019	2018
Accton Century Holding (BVI) Co., Ltd.	$ 4,136,769	$ 4,196,819
Edgecore Networks Corp.	1,427,498	1,076,218
Accton Technology Corp. USA	176,257	179,707
Accton Investment Corp. (BVI)	162,752	158,841
SMC Networks Inc.	147,732	177,368
Accton Technology (China) Co., Ltd.	99,731	58,545
E-Direct Corp.	79,419	78,468
Accton Logistics Corp. (USA)	60,459	62,213
Metalligence Technology Corp.	12,324	(21,242)
Nocsys Inc.	2,861	2,919
WayStorm Co Ltd.	-	54
4ipnet, Inc.	(19,279)	21,366
Edgecore USA Corp.	(140,643)	-
	6,145,880	5,991,276
Add: Trade receivables form related parties	141,886	-
Other receivables form related parties	14,009	21,242
Other non-current liabilities	4,027	-
Associates that are not individually material	$ 6,305,802	$ 6,012,518

On the date of balance sheet, the percentage of the Company's ownership and voting rights to the subsidiaries as follow:

Name of Subsidiaries	Proportion of Ownership and Voting Rights December 31 2019	2018
Accton Century Holding (BVI) Co., Ltd.	100%	100%
Edgecore Networks Corp.	100%	100%
Accton Technology Corp. USA	100%	100%
Accton Investment Corp. (BVI)	100%	100%
SMC Networks Inc.	100%	100%
Accton Technology (China) Co., Ltd.	100%	100%
E-Direct Corp.	100%	100%
Accton Logistics Corp. (USA)	100%	100%
Metalligence Technology Corp.	100%	100%
Nocsys Inc.	100%	100%
WayStorm Co Ltd.	-	28%
4ipnet, Inc.	98%	98%
Edgecore USA Corp.	100%	-

When the Company's portion of investment loss from investments accounted for using equity method of subsidiaries exceeds the equity in the subsidiaries, Edgecore USA Corporation, 4ipnet Inc, and Metalligence Technology Corp., the Company continues to recognize the loss based on the shareholding ratio. As of December 31, 2018 and 2019, the investment credits using the equity method which have been transferred to accounts receivable - related parties and other receivables - reduction of related parties were $159,922 thousand and $21,242 thousand, respectively.

In April 2019, WayStorm Co Ltd completed its liquidation procedures.

In August 2019, in order to reorganize the Group's organizational structure, Accton Technology Corporation acquired 100% of Edgecore USA Corporation's shares held by Edgecore Cayman Corporation.

The investments accounted for using the equity method, the Company's share of profit and loss, and other comprehensive income (loss) for the years ended December 31, 2018 and 2019 were calculated based on the associates' financial statements which have been audited.

b. Investments in associates

	December 31	
	2019	2018
Oenix Biomed Co., Ltd.	$ 14,369	$ 16,578

On the date of balance sheet, the percentage of the Company's ownership and voting rights to the associates as follow:

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Associate	2019	2018
Oenix Biomed Co., Ltd.	40%	40%

On November 28, 2018, Yang-Ming Innovation & Incubation Limited approved the change of its company name to Oenix Biomed Co., Ltd.

13. PROPERTY, PLANT AND EQUIPMENT

a. Assets used by the Group - 2019

	Buildings	Machinery and Equipment	Molding Equipment	Testing Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Total
Cost									
Balance at January 1, 2019	$ 386,092	$ 237,627	$ 214,766	$ 430,812	$ 36,683	$ 75,391	$ 6,915	$ 48,008	$ 1,436,294
Additions	6,534	412,146	71,329	34,254	63	16,858	84,024	19,113	644,321
Reductions	(620)	(4,391)	(25,308)	(26,758)	(43)	(9,670)	(3,865)	(2,470)	(73,125)
Balance at December 31, 2019	$ 392,006	$ 645,382	$ 260,787	$ 438,308	$ 36,703	$ 82,579	$ 87,074	$ 64,651	$ 2,007,490
Accumulated depreciation									
Balance at January 1, 2019	$ 231,594	$ 137,259	$ 153,062	$ 342,406	$ 25,477	$ 63,004	$ 5,582	$ 29,127	$ 987,511
Additions	21,871	69,956	25,614	26,391	3,263	8,960	33,936	8,381	198,372
Reductions	(620)	(4,391)	(25,308)	(26,758)	(42)	(9,584)	(3,729)	(2,470)	(72,902)
Balance at December 31, 2019	$ 252,845	$ 202,824	$ 153,368	$ 342,039	$ 28,698	$ 62,380	$ 35,789	$ 35,038	$ 1,112,981
Carrying amounts at December 31, 2019	$ 139,161	$ 442,558	$ 107,419	$ 96,269	$ 8,005	$ 20,199	$ 51,285	$ 29,613	$ 894,509

b. 2018

	Buildings	Machinery and Equipment	Molding Equipment	Testing Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Total
Cost									
Balance at January 1, 2018	$ 365,198	$ 213,281	$ 188,550	$ 426,264	$ 38,705	$ 71,939	$ 6,615	$ 49,374	$ 1,359,926
Additions	21,116	29,589	30,941	60,640	1,220	7,523	300	5,284	156,613
Reductions	(222)	(5,243)	(4,725)	(56,092)	(3,242)	(4,071)	-	(6,650)	(80,245)
Balance at December 31, 2018	$ 386,092	$ 237,627	$ 214,766	$ 430,812	$ 36,683	$ 75,391	$ 6,915	$ 48,008	$ 1,436,294
Accumulated depreciation									
Balance at January 1, 2018	$ 214,236	$ 112,369	$ 136,105	$ 378,489	$ 25,518	$ 57,379	$ 4,139	$ 26,153	$ 954,388
Additions	17,580	30,133	21,682	20,009	3,201	9,384	1,443	6,837	110,269
Reductions	(222)	(5,243)	(4,725)	(56,092)	(3,242)	(3,759)	-	(3,863)	(77,146)
Balance at December 31, 2018	$ 231,594	$ 137,259	$ 153,062	$ 342,406	$ 25,477	$ 63,004	$ 5,582	$ 29,127	$ 987,511
Carrying amounts at December 31, 2018	$ 154,498	$ 100,368	$ 61,704	$ 88,406	$ 11,206	$ 12,387	$ 1,333	$ 18,881	$ 448,783

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings	2-56 year
Machinery and equipment	3-8 year
Molding equipment	2-5 year
Testing equipment	2-8 year
Transportation equipment	3-8 year
Office equipment	2-8 year
Leasehold improvements	1-10 year
Other equipment	3-8 year

The buildings held by the Company that consisted of main buildings, electric equipment and construction, are depreciated over their estimated useful lives of 56 years and 9-22 years, respectively, using the straight-line method.

The above items of property, plant and equipment were not used as collateral.

14. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Land	$ 138,895
Buildings	382,137
	$ 521,032

	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 273,646
Depreciation charge for right-of-use assets	
Land	$ 4,888
Buildings	57,741
	$ 62,629

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 79,771
Non-current	$ 429,941

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Land	2.80%
Buildings	1.35%-2.20%

c. Material lease - in activities and terms

The Company leases land and buildings for the use of plants and offices with lease terms of 5 to 29 years. The lease contract for land located in Republic of China specifies that lease payments will be adjusted on the basis of changes in announced land value prices. The Company does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 38,091
Total cash outflow for leases	$ 120,961

The Company leases certain office equipment and other assets which qualify as short-term leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

2018

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

	December 31, 2018
Not later than 1 year	$ 53,162
Later than 1 year and not later than 5 years	91,481
Later than 5 years	35,791
	$ 180,434

The lease payments and sublease payments recognized in profit or loss were as follows:

	For the Year Ended December 31, 2018
Minimum lease payments	$ 35,867

15. INTANGIBLE ASSETS

	Computer Software	Patent	Other Deferred Charges	Total
Cost				
Balance at January 1, 2019	$ 62,435	$ 5,038	$ 1,852	$ 69,325
Additions	44,733	-	-	44,733
Reductions	(24,463)	-	-	(24,463)
Balance at December 31, 2019	$ 82,705	$ 5,038	$ 1,852	$ 89,595
Accumulated amortization				
Balance at January 1, 2019	$ 32,401	$ 4,041	$ 498	$ 36,940
Additions	26,299	630	926	27,855
Reductions	(24,463)	-	-	(24,463)
Balance at December 31, 2019	$ 34,237	$ 4,671	$ 1,424	$ 40,332
Carrying amounts at December 31, 2019	$ 48,468	$ 367	$ 428	$ 49,263
Cost				
Balance at January 1, 2018	$ 54,418	$ 5,038	$ -	$ 59,456
Additions	20,807	-	1,852	22,659
Reductions	(12,790)	-	-	(12,790)
Balance at December 31, 2018	$ 62,435	$ 5,038	$ 1,852	$ 69,325
Accumulated amortization				
Balance at January 1, 2018	$ 22,076	$ 3,411	$ -	$ 25,487
Additions	22,930	630	498	24,058
Reductions	(12,605)	-	-	(12,605)
Balance at December 31, 2018	$ 32,401	$ 4,041	$ 498	$ 36,940
Carrying amounts at December 31, 2018	$ 30,034	$ 997	$ 1,354	$ 32,385

The above items of intangible assets are amortized on a straight-line basis over the estimated useful lives as follows:

Computer software	3-8 years
Patents	5-8 years
Other Deferred Charges	2 years

The above items of intangible assets were not used as collateral.

16. PREPAYMENTS AND OTHER ASSETS

	December 31	
	2019	2018
Current		
Prepayments		
Excess VAT paid	$ 62,047	$ 35,604
Prepayments for software maintenance fee	31,443	35,107
Prepayments for purchases	1,435	8,942
Other	8,065	17,408
	$ 102,990	$ 97,061
Other current assets		
Temporary payments	$ 6,186	$ 10,129
Non-current		
Others Assets		
Pledged time deposits (Note 32)	$ 22,000	$ 15,500

17. BORROWINGS

Long-term borrowings

The borrowings of the Company are as follows:

	Maturity Date	Significant Covenant	December 31 2019	December 31 2018
Unsecured bank borrowings	2026.06.15	From June 2022, 49 monthly payments of principal and interest	$ 806,000	$ -
Unsecured bank borrowings	2026.05.09	From June 2022, 47 monthly payments of principal and interest	100,000	-
Unsecured bank borrowings	2026.04.15	From June 2022, 47 monthly payments of principal and interest	67,000	-
Long-term borrowings			973,000	-
Less: Deferred revenue (Note 27)			(52,361)	-
			$ 920,639	$ -

The intervals of effective borrowing rates as of December 31, 2019 were 0.10%-0.15%.

The loan agreements require the maintenance of a current ratio, debt ratio, and interest coverage ratio based on the Company's annual consolidated financial statements. For the year ended December 31, 2019, the Company had met the financial ratio covenants.

18. OTHER LIABILITIES

	December 31 2019	December 31 2018
Current		
Other payables		
Temporary receipts from customers	$ 1,004,039	$ -
Payable for bonuses	206,243	173,611
Temporary credit and agency receipt	124,149	71,443
Payable for insurance	32,346	21,692
Payable for service	27,447	27,644
Others	365,175	305,768
	$ 1,759,399	$ 600,158

19. PROVISIONS

	December 31 2019	December 31 2018
Warranties	$ 44,380	$ 143,552

In 2018

	Warranties
Balance at January 1, 2018	$ 3,000
Additional provisions recognized	206,100
Amounts written off	(65,548)
Balance at December 31, 2018	$ 143,552

In 2019

	Warranties
Balance at January 1, 2019	$ 143,552
Additional provisions recognized	152,664
Amount written off	(251,836)
Balance at December 31, 2019	$ 44,380

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Company's obligations for warranties and under local sale of goods legislation. The estimate had been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company and the domestic subsidiaries adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. According to local laws, overseas subsidiaries fund certain percentage of pension based on the gross incomes of the local employees. According to the pension plan managed by the Government of China, subsidiaries in China pay retirement insurance, recognized as current expense when contributed.

b. Defined benefit plans

The Company and the domestic subsidiaries adopted the defined benefit plan under the Labor Standard Law, pension benefits are calculated on the basis of an employee's length of service and average monthly salaries for the six-month period prior to before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the committee's name in Bank of Taiwan. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2019	2018
Present value of funded defined benefit obligation	$ 288,563	$ 279,841
Fair value of plan assets	(261,754)	(252,510)
Net defined benefit liability	$ 26,809	$ 27,331

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2018	$ 266,854	$ (240,812)	$ 26,042
Service cost			
Current service cost	735	-	735
Net interest expense (income)	3,869	(3,515)	354
Recognized in profit or loss	4,604	(3,515)	1,089
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(6,438)	(6,438)
Actuarial loss - experience adjustments	8,383	-	8,383
Recognized in other comprehensive income	8,383	(6,438)	1,945
Contributions from the employer	-	(1,745)	(1,745)
Balance at December 31, 2018	279,841	(252,510)	27,331

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Service cost			
Current service cost	$ 1,038	$ -	$ 1,038
Net interest expense (income)	3,638	(3,294)	344
Recognized in profit or loss	4,676	(3,294)	1,382
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(8,119)	(8,119)
Actuarial loss - experience adjustments	8,129	-	8,129
Recognized in other comprehensive income	8,129	(8,119)	10
Contributions from the employer	-	(1,914)	(1,914)
Benefits paid	(4,083)	4,083	-
Balance at December 31, 2019	$ 288,563	$ (261,754)	$ 26,809

(Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2019	2018
Operating costs	$ 118	$ 84
Selling and marketing expenses	135	86
General and administrative expenses	584	461
Research and development expenses	545	458
	$ 1,382	$ 1,089

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2019	2018
Discount rates	1.10%	1.30%
Expected rates of salary increase	3.50%	3.50%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2019	2018
Discount rates		
0.25% increase	$ (8,233)	$ (8,581)
0.25% decrease	$ 8,573	$ 8,950
Expected rates of salary increase		
1.00% increase	$ 35,215	$ 36,942
1.00% decrease	$ (30,660)	$ (31,934)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2019	2018
The expected contributions to the plan for the next year	$ 957	$ 872
The average duration of the defined benefit obligation	14 years	15 years

21. EQUITY

a. Ordinary shares

	December 31	
	2019	2018
Number of shares authorized (in thousands)	880,000	880,000
Shares authorized	$ 8,800,000	$ 8,800,000
Number of shares issued and fully paid (in thousands)	558,051	557,590
Shares issued	$ 5,580,514	$ 5,575,899

Fully paid ordinary shares, which have a par value of $10, carry one vote per share and carry a right to dividends.

A total of 87,000 thousand shares of the Company’s authorized shares were reserved for the issuance of employee share options.

Exercise of employee share option is the main reason for the share movement.

b. Capital surplus

	December 31	
	2019	2018
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Arising from issuance of ordinary shares	$ 531,890	$ 530,159
Arising from treasury share transactions	40,100	31,264
May be used to offset a deficit only		
Arising from employee share options	208,509	206,385
Arising from changes in percentage of ownership interest in subsidiaries (2)	5,509	5,509
May not be used for any purpose		
Arising from employee share options	19,707	21,831
	$ 805,715	$ 795,148

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital and once a year).

2) Such capital surplus arises from the effects of changes in ownership interest in a subsidiary resulted from equity transactions other than actual disposal or acquisition, or from changes in capital surplus of subsidiaries accounted for by using equity method.

A reconciliation of the carrying amount at the beginning and at the end of December 31, 2019 and 2018, for each class of capital surplus was as follows:

	Premium on Issue of Shares	Treasury Share	Employee Share Options - May be used to Offset a Deficit Only	Change in Percentage of Ownership Interest in Subsidiaries	Employee Share Options - May not be used for any Purpose
Balance at January 1, 2018	$ 520,879	$ 22,135	$ 192,251	$ 5,509	$ 35,965
Employee share options exercised	9,280	-	13,947	-	(14,134)
Employee share option not exercised	-	-	187	-	-
Cash dividends received by subsidiaries from parent company	-	9,129	-	-	-
Balance at December 31, 2018	$ 530,159	$ 31,264	$ 206,385	$ 5,509	$ 21,831

(Continued)

	Premium on Issue of Shares	Treasury Share	Employee Share Options - May be used to Offset a Deficit Only	Change in Percentage of Ownership Interest in Subsidiaries	Employee Share Options - May not be used for any Purpose
Balance at January 1, 2019	$ 530,159	$ 31,264	$ 206,385	$ 5,509	$ 21,831
Employee share options exercised	1,731	-	210	-	(2,124)
Employee share option not exercised	-	-	1,914	-	-
Cash dividends received by subsidiaries from parent company	-	8,836	-	-	-
Balance at December 31, 2019	$ 531,890	$ 40,100	$ 208,509	$ 5,509	$ 19,707

(Concluded)

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 23-6.

Company's Articles stipulate that the dividend policy must comply with present and future development plans and take investment environment, demand of funds, domestic and foreign competition, and shareholders' interests into consideration. The shareholder's compensation can be appropriated by issuance of stock dividends or by payment of cash dividends, with provision that the percentage of cash dividends must exceed 50% of total dividends.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2018 and 2017 had been approved in the shareholders' meeting on June 13, 2019 and June 13, 2018, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Year 2018	For Year 2017	For Year 2018	For Year 2017
Legal reserve	$ 295,245	$ 255,517	$ -	$ -
Special reserve	53,817	-	-	-
Cash dividends	2,230,684	2,299,658	3.9984	4.1311

The appropriations of earnings for 2019 had been proposed by the Company's board of directors on

March 19, 2020. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 495,049	$ -
Special reserve	230,752	-
Cash dividends	3,462,734	6.2

The appropriations of earnings for 2019 are subject to the resolution of the shareholders' meeting to be held on June 18, 2020.

d. Special reserves

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 253,675	$ 253,675
Appropriations in respect of		
Debits to other equity items	53,817	-
Balance at December 31	$ 307,492	$ 253,675

e. Others equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ (273,183)	$ (220,904)
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	(219,425)	(52,279)
Balance at December 31	$ (492,608)	$ (273,183)

2) Unrealized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ (34,308)	$ (14,234)
Recognized for the year		
Unrealized gain (loss) - equity instruments	12,389	(20,074)
Reclassification adjustments		
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	(23,717)	-
Balance at December 31	$ (45,636)	$ (34,308)

f. Treasury shares

The Company's shares held by its subsidiaries at the end of the reporting periods were as follows.

Nambe of Subsidiary	Number of Shares Held (In Thousands of Shares)	Carrying Amount	Market Value
December 31, 2019			
Accton Investment	2,210	$ 50,999	$ 371,258
December 31, 2018			
Accton Investment	2,210	$ 50,999	$ 217,893

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote. The subsidiaries holding treasury shares, however, retain shareholders' rights, except the rights to participate in any share issuance for cash and to vote.

22. REVENUE

	For the Year Ended December 31	
	2019	2018
Revenue from the sale of goods	$ 49,953,689	$ 41,218,729

a. Contract information

Revenue from the sale of goods comes from sales of network communication equipment. Based on the different trading conditions of the network communication equipment, sales of goods are recognized as revenue when they are delivered to the customer's specific location and the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. When the customer initially purchases the goods, the transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

In 2018, the Company has applied IFRS 15 and recognizes the possible sales return and discount of the refundable liabilities. As of December 31,2019 and 2018, for information on the refund liability which amounted to $3,179 and $23,369 thousand, respectively.

b. Contact balances

	December 31, 2019	December 31, 2018	January 1, 2018
Trade receivables (Note 10)	$ 4,162,120	$ 5,387,144	$ 3,746,152
Contract liabilities - current			
Sale of goods	$ 542,726	$ 331,042	$ 213,353

As of December 31, 2019 and 2018, the sales of goods from contract liabilities amounted to $163,098 thousand and $75,866 thousand, respectively.

c. Disaggregation of revenue

	For the Year Ended December 31	
	2019	2018
Product		
Switch	$ 35,016,296	$ 29,896,730
Network Application	9,040,402	5,830,284
Metro Access Switch	3,268,825	2,674,138
Wireless	1,572,719	1,828,226
Broadband Access	9,323	25,378
Other	1,046,124	963,973
	$ 49,953,689	$ 41,218,729
Location		
America	$ 36,705,987	$ 30,399,830
Europe	6,787,156	5,234,766
Taiwan (location of the Company)	5,666,887	4,101,421
Asia	793,659	1,482,695
Other	-	17
	$ 49,953,689	$ 41,218,729

23. NET PROFIT

a. Net profit

1) Other income

	For the Year Ended December 31	
	2019	2018
Interest income	$ 69,311	$ 41,308
Dividends	8,937	9,904
Grant income	2,576	-
Others	63,189	19,600
	$ 144,013	$ 70,812

2) Other gains and losses

	For the Year Ended December 31	
	2019	2018
Loss on disposal of subsidiary	$ (49)	$ (3,140)
Loss on lease modification	(231)	-
Net loss on fair value changes of financial assets Designated as at fair value through profit or loss	(15,295)	(28,339)
Net foreign exchange (losses) gains	(95,174)	53,367
Others	(124)	(2,543)
	$ (110,873)	$ 19,345

3) Finance costs

	For the Year Ended December 31	
	2019	2018
Interest on loans	$ 4,277	$ 2,818
Interest on lease liabilities	8,936	-
	$ 13,213	$ 2,818

4) Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
An analysis of depreciation by function		
Operating costs	$ 131,866	$ 33,325
Operating expenses	129,135	76,944
	$ 261,001	$ 110,269
An analysis of amortization by function		
Operating costs	$ 2,218	$ 1,083
Operating expenses	25,637	22,975
	$ 27,855	$ 24,058

5) Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Short-term benefits	$ 2,629,388	$ 1,830,140
Post-employment benefits (Note 20)		
Defined contribution plans	66,757	51,985
Defined benefit plans	1,382	1,089
Total employee benefits expense	$ 2,697,527	$ 1,883,214
An analysis of employee benefits expense by function		
Operating costs	$ 637,757	$ 304,556
Operating expenses	2,059,770	1,578,658
	$ 2,697,527	$ 1,883,214

6) Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at rates of no less than 1%-11.25% and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2019 and 2018, which have been approved by the Company's board of directors on March 19, 2020 and March 21, 2019, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2019	**2018**
Employees' compensation	11.25%	11.25%
Remuneration of directors	0.7%	1.5%

Amount

	For the Year Ended December 31			
	2019		**2018**	
	Cash	**Share**	**Cash**	**Share**
Employees' compensation	$ 741,109	$ -	$ 433,062	$ -
Remuneration of directors	45,000	-	57,742	-

If there is a change in the amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

24. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of tax expense recognized in profit or loss:

	For the Year Ended December 31	
	2019	**2018**
Current tax		
In respect of the current year	$ 852,958	$ 440,714
Deferred tax		
In respect of the current year	(1,923)	(32,786)
Effect of tax rate change	-	(1,738)
Income tax expense recognized in profit or loss	$ 851,035	$ 406,190

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2019	2018
Profit before tax from operations	$ 5,801,530	$ 3,358,639
Income tax expense calculated at the statutory rate	$ 1,160,306	$ 671,728
Income tax on unappropriated earnings	18,651	-
Nondeductible items expenses in determining taxable income	(263,034)	(223,937)
Investment credits	(64,888)	(39,863)
Adjustments to deferred tax attributable to change in tax rates	-	(1,738)
Income tax expense recognized in profit or loss	$ 851,035	$ 406,190

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. The Company has already deducted the amount of capital expenditure from the unappropriated earnings in 2018 that was reinvested when calculating the tax on unappropriated earnings for the year ended December 2019.

b. Current tax liabilities

	December 31	
	2019	2018
Current tax liabilities		
Income tax payable	$ 749,646	$ 382,264

c. Deferred tax assets

The movements of deferred tax assets were as follows:

For the year ended December 31, 2019

	Balance, Beginning of Year	Recognized in Profit or Loss	Balance, End of Year
Deferred tax assets			
Temporary difference	$ 44,371	$ 1,923	$ 46,294

For the year ended December 31, 2018

	Balance, Beginning of Year	Recognized in Profit or Loss	Balance, End of Year
Deferred tax assets			
Temporary difference	$ 9,847	$ 34,524	$ 44,371

d. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the balance sheets

	December 31	
	2019	2018
Deductible temporary differences	$ 438,263	$ 452,994

e. Unrecognized deferred tax liabilities associated with investments

As of December 31, 2018 and 2019, the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized.

f. Income tax assessments

The tax authorities have examined income tax returns of the Company through 2017.

25. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2019	2018
Basic earnings per share	$ 8.91	$ 5.33
Diluted earnings per share	$ 8.76	$ 5.23

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2019	2018
Earnings used in the computation of basic and diluted earnings per share	$ 4,950,495	$ 2,952,449

Weighted average number of ordinary shares outstanding (in thousand shares):

	For the Year Ended December 31	
	2019	2018
Weighted average number of ordinary shares in computation of basic earnings per share	555,633	554,406
Effect of potentially dilutive ordinary shares:		
Employee share option	4,056	5,145
Bonus to employees	5,192	5,102
Weighted average number of ordinary shares used in the computation of diluted earnings per share	564,881	564,653

If the Company offered to settle compensation or bonuses paid to employees in cash or shares, the Company assumed the entire amount of the compensation or bonuses will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

26. SHARE-BASED PAYMENT ARRANGEMENTS

Employee share option plan of the Company

Qualified employees of the Company and its subsidiaries were granted 20,000 thousand option on September 4, 2014, 20,000 thousand options on July 20, 2010 and 20,000 thousand options on October 24, 2007. Each option entitles the holder to subscribe for one ordinary shares of the Company. The options granted are valid for 10 years and exercisable at certain percentages after the second anniversary from the grant date.

Information on employee share options was as follows:

	For the Year Ended December 31					
	2014		2010		2008	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
2018						
Balance at January 1	5,609	$ 15.40	2,034	$ 9.30	270	$ 13.00
Options exercised	(1,821)	14.70-15.40	(1,044)	8.90-9.30	(230)	13.00
Options canceled	-	-	-	-	(40)	13.00
Balance at December 31	3,788	14.70	990	8.90	-	-
2019						
Balance at January 1	3,788	$ 14.70	990	$ 8.90	-	$ -
Options exercised	(397)	14.20-14.70	(64)	8.60-8.90	-	-
Options canceled	(410)	14.20-14.70	-	-	-	-
Balance at December 31	2,981	14.20	926	8.60	-	-

The number of outstanding share options and the exercise prices had been adjusted to reflect the share dividend and the cancellation of ordinary shares in accordance with the plans.

Information about outstanding options as of December 31, 2019 was as follows:

	Options Outstanding			Options Exercisable	
Exercise Price (NT$)	Number Outstanding (In Thousands)	Expected Remaining Contractual Life (In Years)	Weighted-average Exercise Price (NT$)	Number Exercisable (In Thousands)	Weighted-average Exercise Price (NT$)
2014 option plan					
$ 14.20	2,981	4.69	$ 14.20	2,981	$ 14.20
2010 option plan					
$ 8.60	926	0.55	$ 8.60	926	$ 8.60

Options granted in 2014, 2010 and 2008 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	2014	2010	2008
Grant-date share price ($)	$ 17.90	$ 15.25	$ 13.50
Exercise price ($)	17.90	15.25	13.50
Expected volatility	22.30%	46.56%	47.53%
Expected life (years)	10 year	3.25 year	3-3.25 year
Expected dividend yield	-	-	-
Risk-free interest rate	1.63%	0.80%	2.544%

The grant-date share fair price was measured by market-based method.

Expected volatility was based on the same industry company historical share price volatility over the past 1 year.

Compensation cost recognized was none for year ended December 31, 2019 and 2018.

27. GOVERNMENT GRANTS

As of December 31, 2019, the Company obtained a government preferential interest rate loan of $973,000 thousand from the “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan” for capital expenditure and operating turnover . The loan will be settled in three to seven years through installments. At the time of borrowing, the market interest rate was 1.29%. Based on this, the fair value of borrowing is estimated to be $918,063 thousand. The difference between the amount obtained and the fair value of the borrowing is $54,938 thousand, which is regarded as a government grant of low interest loan and recognized as deferred income. In 2019, the Company recognized other income of $2,576 thousand, the interest expense of the loan of $2,989 thousand, payment of interest of $352 thousand and interest payable of $61 thousand.

If the Company fails to meet the key points of the above project during the loan period, and the National Development Fund terminates the government grant, then the Company will pay the original interest rate plus the annual interest rate.

28. DISPOSAL OF SUBSIDIARY

a. On April 28, 2019, the Company completed the liquidation of its subsidiary, WayStorm Co. Ltd.

1) Analysis of assets and liabilities on the date of liquidation

	WayStorm Co., Ltd.
Current assets	
Cash and cash equivalents	$ 50
Prepayments	4
Net assets disposed of	$ 3,140

2) Loss on liquidation of subsidiary

	WayStorm Co., Ltd.
Consideration received	$ 5
Net assets disposed of	(54)
Loss on disposal	$ (49)

b. On March 27, 2018, the Company completed the liquidation of its subsidiary, Accton Wireless Broadband Corporation.

1) Analysis of assets and liabilities on the date of liquidation

	Accton Wireless Broadband Corp.
Current assets	
Prepayments	$ 3,140
Net assets disposed of	$ 3,140

2) Loss on liquidation of subsidiary

	Accton Wireless Broadband Corp.
Consideration received	$ -
Net assets disposed of	(3,140)
Loss on disposal	$ (3,140)

29. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities have necessary financial resources and operational plan to cover all required funds for the next 12 months, including capital expenditures, research and development plan, debt repayment and dividends, etc.

Based on the Company's business model and working capital sources, the Company has no significant changes except for shareholders' share dividends and exercise of employee share options.

30. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

December 31, 2019

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at amortized cost					
Bond investment	$ 15,912	$ -	$ 15,049	$ -	$ 15,049

December 31, 2018

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at amortized cost					
Bond investment	$ 16,010	$ -	$ 15,165	$ -	$ 15,165

The Level 2 of fair values measurement is based on the reference price of the issuing bank.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ 315,232	$ -	$ -	$ 315,232
Unlisted shares	-	-	89,731	89,731
Total	$ 315,232	$ -	$ 89,731	$ 404,963
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares	$ 123,235	$ -	$ -	$ 123,235

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Unlisted shares	$ -	$ -	$ 107,022	$ 107,022
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares	$ 144,138	$ -	$ -	$ 144,138

There were no transfers between Level 1 and 2 for the years ended 2019 and 2018.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2019

Financial Assets	Financial Assets at FVTOCI Equity Instruments
Balance at January 1, 2019	$ 107,022
Recognized in profit or loss (included in other gains and losses)	(17,291)
Balance at December 31, 2019	$ 89,731

For the year ended December 31, 2018

Financial Assets	Financial Assets at FVTOCI Equity Instruments
Balance at January 1, 2018	$ 141,488
Recognized in profit or loss (included in other gains and losses)	(30,805)
Sales	(3,661)
Balance at December 31, 2018	$ 107,022

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of unlisted equity securities for both foreign and domestic were determined using market approach based on the transaction price of the comparable standard and financial information of the underlying company and the market peer. Market multipliers such as price-to-earnings ratio, price book ratio, price-to-sales ratio or other financial ratios are used to analyze and evaluate.

	For the Year Ended December 31	
	2019	2018
Price book ratio	1.415-4.901	1.105-8.160
Price-to-sales ratio	0.67-1.93	0.76-5.33
Liquidity discount	20%	20%

c. Categories of financial instruments

	December 31	
	2019	**2018**
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	$ 404,963	$ 107,022
Financial assets at amortized cost (Note 1)	16,571,172	12,446,717
Financial assets at FVTOCI		
Investments in equity instruments	123,235	144,138
<u>Financial liabilities</u>		
Amortized cost (Note 2)	14,695,721	11,339,160

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, trade receivables (include related parties), other receivables (include related parties), time deposits with original maturity of more than 3 months, bond investments, pledged time deposits, and refundable deposits.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise trade payables (include related parties), payables on construction and equipment, other payables (include related parties), long-term borrowings and guarantee deposits.

d. Financial risk management objectives and policies

The Company's financial risk management objective is to manage all risks that are relevant to operating activities, like foreign currency risk, interest rate risk, credit risk and liquidity risk. The Company strives to identify, assess and avoid the uncertainty in market to minimize the potential adverse impact of market. Important financial activities of the Company are approved by the board of directors and reviewed for compliance with internal controls and relevant regulations and management practices. The Company abides by the relevant financial procedures on overall financial risk management and division of responsibilities when implementing financial plans.

The Company's policies on market risk (including currency risk, interest rate risk, and other price risk), credit risk and liquidity risk are as follows:

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Company entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

There had been no change in the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Company and several subsidiaries' operating activities are partially denominated in foreign currencies and apply natural hedge. The purpose of the Company's management of the foreign currency risk is to hedge the risk instead of making a profit.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposing to foreign currency risk at the end of the reporting period are set out Note 33.

Sensitivity analysis

The Company was mainly exposed to the USD.

The following table details the Company's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and forward contracts, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with New Taiwan dollars strengthen 1% against the relevant currency. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	USD Impact	
	For the Year Ended December 31	
	2019	**2018**
Profit or loss	$ (42,106)	$ (21,188)

b) Interest rate risk

Interest rates of the Company's long-term bank loans are floating, and changes in interest rates would affect the future cash flows but not the fair value.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting periods were as follows.

	December 31	
	2019	**2018**
Fair value interest rate risk		
Financial assets	$ 5,481,820	$ 1,452,105
Financial liabilities	509,712	-
Cash flow interest rate risk		
Financial assets	2,005,388	1,062,326
Financial liabilities	920,639	-

Sensitivity analysis

The sensitivity analysis below was based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period.

If interest rates had been 0.1% basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2019 and 2018 would decrease/increase by $1,085 thousand and $1,062 thousand, respectively, which was mainly attributable to the Company's exposure to interest rates.

c) Other price risk

The Company was exposed to equity price risk through its investments in listed equity securities. Equity investments are held for strategic rather than trading purposes. The Company does not actively trade these investments. The Company's equity price risk was mainly concentrated on equity instruments operating in electronic industry quoted in the Taiwan Stock Exchange and Greta Securities Market.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 0.1% higher/lower, pre-tax profit for the years ended December 31, 2019 and 2018 would have increased/decreased by $4,050 thousand and $1,070 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the post-tax other comprehensive income for the year ended December 31, 2019 and 2018 would have increased/decreased by $1,232 thousand and $1,441 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that a counterpart will default on its contractual obligations and result in financial loss to the Company. At the end of the reporting period, the Company may have a financial loss due to the default on obligation from counterparts, and the maximum exposure to credit risk is the trade receivables from counterparts.

In order to mitigate credit risk, the Company has made the management of credit policy to ensure that appropriate action is taken to recover overdue receivables. In addition, the Company reviews the recoverable amount of each trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Company considers the credit risk is significantly reduced.

The Company's accounts receivable outstanding arose from trading with its customers spreading across diverse industries and geographical areas. The balances are monitored on an ongoing basis by evaluating the customers' financial conditions.

Under its credit policy, the Company evaluates the credit grade of new customers individually before determining payment and other transaction terms. For this evaluation, the Company acquires external information from credit rating agencies and banks. If this information is not available, the Company uses other publicly available financial information and its own trading records to rate its customers. The Company reviews credits and trades of each customer regularly and does not trade with the customers that do not meet the credit grade in advance.

The Company estimated the allowance for impairment loss recognized on trade receivables, other receivables and investments.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2019 and 2018, the Company had available unutilized short-term bank loan facilities set out in (b) below.

a) Liquidity and interest risk rate tables for non-derivative financial liabilities

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Total
Non-derivative financial liabilities					
Non-interest bearing	$ 9,606,244	$ 2,835,683	$ 1,332,339	$ 816	$ 13,775,082
Lease liabilities	3,120	7,682	79,575	498,823	589,200
Variable interest rate liabilities	117	230	1,037	977,717	979,101
Noninterest bearing	$ 9,609,481	$ 2,843,595	$ 1,412,951	$ 1,477,356	$ 15,343,383

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	$ 90,377	$ 322,838	$ 44,155	$ 35,791	$ 35,791	$ 60,248

December 31, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Total
Non-derivative financial liabilities					
Non-interest bearing	$ 8,124,920	$ 2,943,563	$ 269,851	$ 826	$ 11,339,160

b) Financing facilities

	December 31	
	2019	2018
Unsecured bank overdraft facility, reviewed annually and payable at call:		
Amount used	$ 973,000	$ -
Amount unused	6,125,970	4,913,945
	$ 7,098,970	$ 4,913,945

The Company does not have bank loan facilities which may be extended by mutual agreement on December 31, 2019 and 2018.

31. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below.

a. Related party name and relationship

Related Party Name	Relationship with the Company
Accton Logistics Corporation	Subsidiary
SMC Network, Inc.	Subsidiary
Accton Technology Corporation (USA)	Subsidiary
Accton Century Holding (BVI) Co., Ltd.	Subsidiary
Metalligence Technology Corp.	Subsidiary
Edgecore Networks Corp.	Subsidiary
E-Direct Corp.	Subsidiary
4ipnet, Inc.	Subsidiary
Edgecore USA Corporation	Subsidiary
Edgecore Americas Networking	Investment accounted for using the equity method indirect subsidiary
Joy Technology (Shenzhen) Co., Ltd.	Investment accounted for using the equity method indirect subsidiary
Accton Technology Co., Ltd.	Investment accounted for using the equity method indirect subsidiary
Edgecore Cayman Corp.	Investment accounted for using the equity method indirect subsidiary
Oenix Biomed Co., Ltd.	Associate

b. Sales

Line Item	Related Party Name	December 31 2019	December 31 2018
Sales	Edgecore USA Corporation	$ 13,734,453	$ 9,830,002
	Edgecore Networks Corp.	4,995,788	3,677,513
	Other Subsidiaries	4,111,385	1,406,920
		$ 22,841,626	$ 14,914,435

The price of the Company’s sales to related parties is based on the agreed terms; therefore, there is no appropriate transaction object to compare.

c. Purchase

Line Item	Related Party Name	December 31 2019	December 31 2018
Purchase	Joy Technology (Shenzhen) Co., Ltd.	$ 29,089,029	$ 27,956,055
	Other Subsidiaries	1,018,507	321,811
		$ 30,107,536	$ 28,277,866

The price of the Company’s sales to related parties is based on the agreed terms, therefore there is no appropriate transaction object to compare. The general payment terms are 45 to 90 days. The processing transaction between the Company and related parties is based on the agreed terms, therefore there is no appropriate transaction object to compare.

d. Operating expense

Line Item	Related Party Name	December 31 2019	December 31 2018
Operating expense	Edgecore Networks Corp.	$ 394,276	$ 593,970
	Other Subsidiaries	112,325	83,609
		$ 506,601	$ 677,579

The Company's operating expenses are mainly service fees.

The service fees between the Company and related parties is based on the agreed terms, therefore there is no appropriate transaction object to compare.

e. Non-operating income and expenses

Line Item	Related Party Name	December 31 2019	December 31 2018
Other revenue	Subsidiary	$ 10,457	$ 9,587

The non-operating transactions between the Company and related parties are based on the conditions agreed by both parties; therefore, there is no other appropriate transaction to compare.

f. Receivables from related parties

Line Item	Related Party Name	December 31 2019	December 31 2018
Trade receivables from related parties	Edgecore USA Corporation.	$ 2,865,142	$ 2,863,632
	Accton Logistics Corporation	645,248	555,708
	Edgecore Networks Corp.	385,927	220,577
	Other Subsidiaries	42,717	64,184
	Transfer of investment loans using the equity method	(141,886)	-
	Transfer to other receivables from related parties	(14,769)	(41,732)
		$ 3,782,379	$ 3,662,369
Other receivables from related parties	Joy Technology (Shenzhen) Co., Ltd.	$ 515,140	$ 739,011
	Accton Century Holding (BVI) Co., Ltd.	446,292	-
	Other Subsidiaries	66,502	63,821
	Transfer of investment loans using the equity method	(14,009)	(21,242)
		$ 1,013,925	$ 781,590

The Company's partial collection conditions for foreign related parties are 60 days to 90 days from the shipping point. It is 60 days to 75 days for domestic related parties.

g. Payables to related parties

Line Item	Related Party Name	December 31 2019	December 31 2018
Trade payables to related parties	Joy Technology (Shenzhen) Co., Ltd.	$ 6,714,543	$ 7,315,982
	Edgecore Networks Corp.	223,294	107,689
		$ 6,937,837	$ 7,423,671
Other payables to related Parties	Accton Technology Corporation (USA)	$ 124,783	$ 89,325
	Accton Technology Co., Ltd.	27,250	23,034
	Edgecore Networks Corp.	8,282	91,771
	Other Subsidiaries	5,162	4,318
		$ 165,477	$ 208,448

The general payment terms of the Company are 45 to 90 days.

h. Acquisitions of property, plant and equipment

Related Party Name	Purchase Price 2019	Purchase Price 2018
Subsidiary	$ 6,889	$ 3,904

The transaction of property, plant and equipment between the Company and related parties is based on the agreed terms; therefore, there is no appropriate transaction object to compare.

i. Disposals of property, plant and equipment

Related Party Name	Proceeds Price 2019	Proceeds Price 2018
Subsidiary	$ 86	$ 3,211

The transaction of property, plant and equipment between the Company and related parties is based on the agreed terms; therefore, there is no appropriate transaction object to compare.

j. Purchase of long-term investment on stocks

Related Party Name	Proceeds Price 2019	Proceeds Price 2018
Edgecore Cayman Corp.	$ 35,316	$ -

In order to reorganize the Company's organizational structure, the Company acquired 100% of Edgecore USA Corporation's shares which were held by Edgecore Cayman Corp. in August 2019.

k. Compensation of key management personnel

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	$ 95,483	$ 122,476
Termination benefits	674	692
	$ 96,157	$ 123,168

The compensation of directors and other key management personnel was determined by the Compensation Committee on the basis of individual performance and market trends.

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral of tariff:

	December 31	
	2019	2018
Pledge time deposits (classified as other non-current assets-other)	$ 22,000	$ 15,500

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The following information was aggregated by the foreign currencies other than functional currencies of the Company entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 535,278	29.98 (USD:NTD)	$ 16,047,633
Financial liabilities			
Monetary items			
USD	394,830	29.98 (USD:NTD)	11,837,011

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 408,682	30.715 (USD:NTD)	$ 12,552,679
Financial liabilities			
Monetary items			
USD	339,701	30.715 (USD:NTD)	10,433,909

The significant realized and unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2019		2018	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	30.912 (USD:NTD)	$ (95,174)	30.1490 (USD:NTD)	$ 53,367

34. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others (None)

2) Endorsements/guarantees provided (Table 1)

3) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities) (Table 2)

4) Marketable securities acquired and disposed at costs or prices at least NT$300 million or 20% of the paid-in capital (Table 3)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 4)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 5)

9) Trading in derivative instruments. (None)

10) Information on investees (excluding any investee company in mainland China) (Table 6)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 7)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses. Refer to Note 4 and the Company's consolidated Financial Statement for 2019's Note 6.

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity In Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 2)										
0	Accton Technology Corporation	Accton Technology Co., Ltd.	2	$ 1,280,039	$ 149,900 (USD 5,000)	$ 149,900 (USD 5,000)	$ -	$ -	1.17	$ 3,840,116	Yes	No	Yes
1	Edgecore Network Corporation	Edgecore USA Corporation	4	1,468,783	299,800 (USD 10,000)	299,800 (USD 10,000)	163,391	-	20.41	1,468,783	No	No	No
2	Edgecore USA Corporation	Accton Logistics Corporation	4	41,954	26,982 (USD 900)	26,982 (USD 900)	26,982	-	64.31	41,954	No	No	No

Note 1: The description of the number column is as follows:

1) Lender is numbered as 0.

2) Investee is numbered sequentially from 1.

Note 2: The following seven items are relationship of endorsement guarantors and endorsed objects:

1) The company with business contact.

2) The company directly and indirectly holds more than 50% of the shares of the voting rights.

3) Directly and indirectly holds more than 50% of the shares of the voting rights to the company.

4) The company directly and indirectly holds more than 90% of the shares of the voting rights.

5) The company that is mutually protected under contractual requirements based on the needs of the contractor.

6) The company that is endorsed by its all-funded shareholders in accordance with its shareholding ratio because of the joint investment relationship.

7) Performance guarantees for the sale of presale contracts under the Consumer Protection Act.

Note 3: The limit on amount of endorsement and guarantee is explained below:

1) In accordance with the company’s procedure for endorsement and guarantee, the ceiling on total endorsement and guarantee to all parties is 30% of its net sales value; the ceiling on single guarantee object to all parties is 10% of its net assets value.

2) The policy for endorsement and guarantee granted by subsidiaries to the company whose voting shares are directly or indirectly wholly-owned is not limited by the above description.

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars and Foreign Currency)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
Accton Technology Corporation	Fund							
	UPAMC James Bond Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,625	$ 111,152	-	$ 111,152	-
	FSITC Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,139	204,080	-	204,080	
	Shares							
	First Hi-Tec Enterprise Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	1,496	61,168	2%	61,168	-
	Cathay financial holding Co., Ltd. - preference shares	-	Financial assets at fair value through other comprehensive income - current	830	53,286	-	53,286	-
	Clientron Corp.	-	Financial assets at fair value through other comprehensive income - current	289	6,560	-	6,560	-
	Cathay financial holding Co., Ltd. - preference share B	-	Financial assets at fair value through other comprehensive income - current	35	2,221	-	2,221	-
	TechnoConcepts Inc.	-	Financial assets at fair value through other comprehensive income - current	597	-	-	-	-
	Worldgate Communication, Inc.	-	Financial assets at fair value through other comprehensive income - non-current	3,200	-	-	-	-
	Bond							
	Industrial and Commercial Bank of China Limited， New York Branch	-	Financial assets at amortized cost - current	-	15,912	-	15,912	-
	Shares							
	Pershing Systems Corp.	-	Financial assets at fair value through profit or loss - non-current	2,298	47,781	9%	47,781	-
	i Pass Corporation	-	Financial assets at fair value through profit or loss - non-current	2,000	39,000	2%	39,000	-
	Linker Corporation	-	Financial assets at fair value through profit or loss - non-current	469	-	2%	-	-
	Global Channel Resource Pte. Ltd.	-	Financial assets at fair value through profit or loss - non-current	500	-	7%	-	-
	Wave-In Communication Inc.	-	Financial assets at fair value through profit or loss - non-current	1,138	2,950	15%	2,950	-
	Stratus Medicine Inc.	-	Financial assets at fair value through profit or loss - non-current	833	-	4%	-	-
	Zentera Systems, Inc.	-	Financial assets at fair value through profit or loss - non-current	400	-	3%	-	-
	Innovium, Inc.	-	Financial assets at fair value through profit or loss - non-current	152	-	-	-	-

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
Accton Technology Corporation	Xingtera technology optimizes	-	Financial assets at fair value through profit or loss - non-current	478	$ -	1%	$ -	-
	Midfin Systems Inc.	-	Financial assets at fair value through profit or loss - non-current	1,084	-	4%	-	-
	MiTAC Information Technology Corp.	-	Financial assets at fair value through profit or loss - non-current	300	-	-	-	-
	Clop Technologies Pte. Ltd.	-	Financial assets at fair value through profit or loss - non-current	2,000	-	9%	-	-
	Acute Technology Corp.	-	Financial assets at fair value through profit or loss - non-current	2,650	-	15%	-	-
	Microlinks Technology Corp.	-	Financial assets at fair value through profit or loss - non-current	138	-	2%	-	-
	Peracom Networks, Inc.	-	Financial assets at fair value through profit or loss - non-current	2,931	-	-	-	-
	MoBitS Electronics, Inc.	-	Financial assets at fair value through profit or loss - non-current	387	-	5%	-	-
	VODTEL Communication Inc.	-	Financial assets at fair value through profit or loss - non-current	122	-	3%	-	-
Accton Investment Corp. (BVI)	Shares							
	Accton Technology Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	2,210	50,999	-	371,258	-
	Bond							
	HSBC Holdings PLC,	-	Financial assets at amortized cost - non-current	-	30,292	-	30,292	-
	Shares							
	Big switch Networks Inc.	-	Financial assets at fair value through profit or loss - non-current	374	9,875	-	9,875	-
	Volterra, Inc. -preference share A	-	Financial assets at fair value through profit or loss - non-current	319	15,452	1%	15,452	-
	Volterra, Inc. -preference share B	-	Financial assets at fair value through profit or loss - non-current	34	1,655	-	1,655	-
	Dustphotonics, Inc. -preference share A	-	Financial assets at fair value through profit or loss - non-current	38	19,730	-	19,730	-
	Dustphotonics, Inc. -preference share B	-	Financial assets at fair value through profit or loss - non-current	5	2,348	-	2,348	-
	Astera Labs, Inc. -preference share A-1	-	Financial assets at fair value through profit or loss - non-current	490	-	-	-	-
	Astera Labs, Inc. -preference share B	-	Financial assets at fair value through profit or loss - non-current	64	3,859	-	3,859	
	Tallac Networks, Inc.	-	Financial assets at fair value through profit or loss - non-current	254	-	-	-	-
	Aspac Communications, Inc.	-	Financial assets at fair value through profit or loss - non-current	120	-	-	-	-
	Kai Chieh International Investment Ltd.	-	Financial assets at fair value through profit or loss - non-current	461	-	-	-	-
	MoBitS Electronics, Inc.	-	Financial assets at fair value through profit or loss - non-current	232	-	3%	-	-
	Fulfillment Plus Inc.	-	Financial assets at fair value through profit or loss - non-current	500	-	2%	-	-
	@Network, Inc.	-	Financial assets at fair value through profit or loss - non-current	100	-	-	-	-
	Telectronics International, Inc.	-	Financial assets at fair value through profit or loss - non-current	286	-	2%	-	-

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
Accton Investment Corp. (BVI)	Itelco Communication, Inc. - preference shares	-	Financial assets at fair value through profit or loss - non-current	202	$ -	-	$ -	-
	Network Excellence For Enterprises Corp. - preference shares	-	Financial assets at fair value through profit or loss - non-current	600	-	-	-	-
	Caspain Networks, Inc.	-	Financial assets at fair value through profit or loss - non-current	2	-	-	-	-
	Truetel Communications Inc.	-	Financial assets at fair value through profit or loss - non-current	600	-	3%	-	-
	Voipack Corporation - preference shares	-	Financial assets at fair value through profit or loss - non-current	1,075	-	-	-	-
	Ip Unity - preference shares	-	Financial assets at fair value through profit or loss - non-current	68	-	-	-	-
	Peracom Networks, Inc.	-	Financial assets at fair value through profit or loss - non-current	2,629	-	-	-	-
	Discovery Times Ltd.	-	Financial assets at fair value through profit or loss - non-current	-	-	-	-	-
	Engim, Inc. - preference shares A	-	Financial assets at fair value through profit or loss - non-current	455	-	-	-	-
	Engim, Inc. - preference shares A-1	-	Financial assets at fair value through profit or loss - non-current	2,308	-	-	-	-
	Softfoundry International Pte. Ltd.	-	Financial assets at fair value through profit or loss - non-current	833	-	-	-	-
	MiTAC Information Technology Corp.	-	Financial assets at fair value through profit or loss - non-current	15	-	-	-	-
	E2O Communications Inc.	-	Financial assets at fair value through profit or loss - non-current	30	-	-	-	-
Accton Century holding (BVI) Co., Ltd.	Bond							
	IND & COMM Bk Chn/Dubai	-	Financial assets at amortized cost - current	-	9,476	-	9,476	-
	Shares							
	@ Network, Inc.	-	Financial assets at fair value through profit or loss - non-current	167	-	-	-	-
	3CX Inc.	-	Financial assets at fair value through profit or loss - non-current	375	-	-	-	-
	Discovery Times Alpha Ltd.	-	Financial assets at fair value through profit or loss - non-current	-	-	-	-	-
	Telmax Communications Corp.	-	Financial assets at fair value through profit or loss - non-current	613	-	-	-	-
	Programmable Silicon Solutions	-	Financial assets at fair value through profit or loss - non-current	143	-	-	-	-
	Aviva Communications INC. - preference shares	-	Financial assets at fair value through profit or loss - non-current	30	-	-	-	-
	Conveigh Inc.	-	Financial assets at fair value through profit or loss - non-current	765	-	-	-	-
	Fortress	-	Financial assets at fair value through profit or loss - non-current	-	-	-	-	-
ACCTON ASIA INVESTMENT CORP. (BVI)	Shares							
	Zhuhai Jinfangda Technology Co., Ltd.		Financial assets at fair value through profit or loss - non-current	-	13,170	18%	13,170	-
Nocsys Inc.	Shares							
	Noctilucent (HK) Limited	-	Financial assets at fair value through profit or loss - non-current	-	-	19%	-	-

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
Edgecore Networks Corp.	Shares							
	ALFA Network Inc.	-	Financial assets at fair value through profit or loss - non-current	969	$ 26,970	19%	$ 26,970	-
	Big Switch Networks, Inc.	-	Financial assets at fair value through profit or loss - non-current	150	3,950	-	3,950	-
SMC NETWORKS, INC.	Shares							
	Humax Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	369	50,210 (USD 1,675)	-	50,210 (USD 1,675)	-
	Wedge Networks	-	Financial assets at fair value through profit or loss - non-current	250	-	1%	-	-

Note 1: As of December 31, 2019 the above marketable securities had not been pledged or mortgaged.

Note 2: Information on subsidiaries and associates refer to Table 7 and 8.

(Concluded)

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount (Note)	Gain (Loss) on Disposal	Shares	Amount
Accton Technology Corporation	UPAMC James Bond Money Market	Financial assets at fair value through profit or loss - current	-	-	-	$ -	46,216	$ 773,000	39,591	$ 662,377	$ 662,000	$ 377	6,625	$ 111,152
	Taishin Ta-Chong Money Market	Financial assets at fair value through profit or loss - current	-	-	-	-	47,377	674,000	47,377	674,397	674,000	397	-	-
	FSITC Money Market	Financial assets at fair value through profit or loss - current	-	-	-	-	3,792	678,000	2,653	474,078	473,985	93	1,139	204,080

Note: Disposed carrying amount is the acquisition cost.

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Accton Technology Corporation	Joy Technology (Shenzhen) Co., Ltd.	Investment accounted for using the equity method indirect subsidiary	Purchase	$ 29,089,029	66	Mainly paid on the 75th day after the shipment date	Specified at each transaction	Mainly paid on the 75th day after the shipment date	$ (6,714,543)	68	-
	Edgecore Networks Corp.	Subsidiary	Purchase	991,250	2	Mainly paid on the 45th day after the shipment date	Specified at each transaction	Mainly paid on the 45th day after the shipment date	(223,294)	2	-
	Edgecore USA	Subsidiary	Sale	13,734,453	25	Mainly paid on the 75th day after the received date	Specified at each transaction	Mainly paid on the 75th day after the shipment date	2,865,142	41	-
	Edgecore Networks Corp.	Subsidiary	Sale	4,995,788	9	Mainly paid on the 75th day after the shipment date	Specified at each transaction	Mainly paid on the 75th day after the shipment date	385,927	6	-
	Accton Logistics Corp. (USA)	Subsidiary	Sale	3,955,240	7	Mainly paid on the 90th day after the shipment date	Specified at each transaction	Mainly paid on the 90th day after the shipment date	644,489	9	-
	SMC Networks Inc.	Subsidiary	Sale	138,612	-	Mainly paid on the 60th day after the shipment date	Specified at each transaction	Mainly paid on the 60th day after the shipment date	25,986	-	-
Joy Technology (Shenzhen) Co., Ltd.	Accton Technology Co., Ltd.	Held by the same ultimate holding company	Sale	1,785,272	3	Mainly paid on the 75th day after the shipment date	Specified at each transaction	Mainly paid on the 75th day after the shipment date	669,020	10	-
Edgecore Networks Corp.	Edgecore Americas	Subsidiary	Sale	787,891	1	Mainly paid on the 75th day after the invoice date	Specified at each transaction	Mainly paid on the 75th day after the invoice date	316,846	5	-

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance (Note 3)	Turnover Rate (Note 1)	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Accton Technology Corporation	Edgecore USA	Subsidiary	$ 2,866,206	4.79	$ 639,982	Strengthen collection	$ 628,015	$ -
	Accton Logistics Corp. (USA)	Subsidiary	671,656	6.59	-	-	-	-
	Edgecore Networks Corp.	Subsidiary	409,779	16.47	-	-	-	-
	Joy Technology (ShenZhen) Co., Ltd.	Investment accounted for using the equity method indirect subsidiary	515,140	Note 2	-	-	-	-
	Accton Century	Subsidiary	446,292	Note 2	-	-	446,292	-
Joy Technology (Shenzhen) Co., Ltd.	Accton Technology Corporation	Ultimate parent company	6,717,315	4.15	3,469,854	Strengthen collection	1,295,047	-
	Accton Technology Co., Ltd.	Held by the same ultimate holding company	669,020	2.50	198,804	Strengthen collection	137,795	-
Edgecore Networks Corporation	Joy Technology (Shen Zhen) Co., Ltd.	Held by the same ultimate holding company	519,845	Note 2	-	–	-	-
	Edgecore Americas	Subsidiary	316,846	2.13	548	Strengthen collection	99,084	-
	Accton Technology Corporation	Ultimate parent company	231,576	4.69	190,816	Strengthen collection	159,898	-
Accton Century	Accton Asia	Subsidiary	493,680	Note 2	-	-	493,680	-
Accton Asia	Joy Technology (Shen Zhen) Co., Ltd.	Subsidiary	553,705	Note 2	-	-	553,705	-

Note 1: Other receivables are not included in the calculation of turnover rate.

Note 2: The account is not subject to the calculation of turnover rate since its main composition is other receivables.

Note 3: Receivables from related parties include trade receivables - related parties and other receivables - related parties.

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

NAMES LOCATIONS AND RELATED INFORMATION OF INVESTEES ON WHICH THE CORPORATION EXERCISES SIGNIFICANT INFLUENCE
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Investor Company	Equity-method Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2019			Net Income of the Equity-method Investee	Investment Income	Note
				December 31, 2019	December 31, 2018	Shares (Thousands)	% of Ownership	Carrying Value			
Accton Technology Corporation	Accton Century Holding (BVI) Co., Ltd.	British Virgin Islands	Investment holding company	$ 1,664,416	$ 1,664,416	51,973	100	$ 4,136,769	$ 621,906	$ 634,218	Notes 1 and 2
	Edgecore Networks Corp.	Hsin Chu	Research, development, design and manufacture of switching hubs	650,000	650,000	50,000	100	1,427,498	548,566	548,566	Note 1
	SMC Networks Inc.	USA	Sale of Network products	769,644	769,644	24,149	100	147,732	(22,621)	(22,621)	Note 1
	Accton Technology (China) Co., Ltd.	Cayman Islands	Investment holding company	279,635	279,635	6,600	100	99,731	44,343	44,343	Note 1
	Accton Technology Corp. USA	USA	Service of technique of high-quality LAN hardware and software products	342,132	342,132	2,199	100	176,257	886	886	Note 1
	Accton Investment Corp. (BVI)	British Virgin Islands	Investment holding company	79,676	79,676	1,004	100	162,752	3,911	(4,925)	Note 1
	ACCTON LOGISTICS CORP. (USA)	USA	Selling and marketing of high-quality LAN hardware and software products	89,267	89,267	1	100	60,459	3,158	3,158	Note 1
	Edgecore USA, Corp..	USA	Selling and marketing of high-quality LAN hardware and software products	35,316	-	10	100	(140,643)	15,257	8,027	Notes 1 and 6
	NOCSYS INC.	Cayman Islands	Investment holding company	199,434	199,434	-	100	2,861	(58)	(58)	Note 1
	E-Direct Corp.	Taipei	Provides services in information software and information technology	43,075	43,075	3,852	100	79,419	22,137	22,137	Note 1
	WayStorm Co. Ltd.	Taipei	Provides cell phone software	-	39,500	-	-	-	-	-	Note 4
	Metalligence Technology Corp.	Taipei	Provides e-commerce apps, information software and advertising services	46,407	161,000	4,641	100	12,324	(12,832)	(12,832)	Notes 1 and 7
	Oenix Biomed Co., Ltd.	Taipei	Research and development of health care services and equipment	20,000	20,000	2,000	40	14,369	(5,522)	(2,209)	Note 1
	4ipnet, Inc.	Taipei	Research, development, manufacture and selling of wireless products and solutions for enterprises	50,000	50,000	7,840	98	(19,279)	(46,135)	(42,064)	Notes 1 and 2
Accton Century Holding (BVI) Co., Ltd.	Accton Asia Investments Corp. (BVI)	British Virgin Islands	Investment holding company	1,262,338 (USD 42,106)	1,262,338 (USD 42,106)	42,106	100	4,037,943	621,834	621,834	Note 1
Accton Investment Corp. (BVI)	Alpha Telecom, Inc.	USA	Sale and manufacture of Communication transmission, VoIP and IDSN equipment	7,495 (USD 250)	7,495 (USD 250)	2,647	30	-	-	-	Note 3

(Continued)

Investor Company	Equity-method Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2019			Net Income of the Equity-method Investee	Investment Income	Note
				December 31, 2019	December 31, 2018	Shares (Thousands)	% of Ownership	Carrying Value			
Edgecore Networks Corp.	SMC Networks Spain, S.L.	Spain	Sale of network products	$ -	$ 4,061	-	-	$ -	$ 7,221	$ 7,221	Notes 1 and 5
	Edgecore Networks Singapore Pte. Ltd.	Singapore	Sell high-quality LAN hardware and software products	22,466	22,466	3,557	100	22,712	850	850	Note 1
	Edgecore Cayman, Corp.	Cayman Islands	Investment holding company	30,285	30,285	1,000	100	(39,174)	2,185	2,185	Note 1
	Horwood Limited	Cayman Islands	Investment holding company	6,868	6,868	2,000	100	8,537	(2,053)	(1,315)	Note 1
Edgecore Cayman Corp.	Edgecore USA, Corp.	USA	Sell high-quality LAN hardware and software products	-	16,381	-	-	-	15,257	7,230	Note 6
	Edgecore Americas Networking Corp.	USA	Sell high-quality LAN hardware and software products	-	-	-	100	(84,345)	(3,605)	(3,605)	Note 1
E-Direct Corp.	WayStorm Co., Ltd.	Taipei	Provides cell phone software	-	10,000	-	-	-	-	-	Note 4
Edgecore Networks Singapore Pte. Ltd.	Accton Technology Vietnam Company Limited	Vietnam	Sale of network products	8,994 (USD 300)	8,994 (USD 300)	-	100	3,988 (SGD 179)	-	-	Note 1
SMC Networks Inc.	IgniteNet EU	Lithuania	Research on high-quality LAN hardware and software products	-	50,007 (USD 1,668)	-	-	-	(660) (USD 22)	(660) (USD 22)	Note 8

Note 1: Based on audited financial statements.

Note 2: After adjustment of gains or losses from related parties.

Note 3: Recognized an impairment loss.

Note 4: Way Storm Co., Ltd. completed its liquidation in April 2019.

Note 5: SMC Networks Spain completed its liquidation in August 2019.

Note 6: In order to reorganize the Group's organizational structure, the Company acquired 100% of Edgecore USA Corporation's shares which were held by Edgecore Cayman in August 2019.

Note 7: Metalligence Technology Corporation completed its capital deduction to cover losses and transferred its currency debts to capital in September 2019.

Note 8: IgniteNet EU completed its liquidation in November 2019.

(Concluded)

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 2)	Method of Investment	Accumulated Outflow Remittance for Investment from Taiwan as of January 1, 2019 (Note 2)	Investment Flows		Accumulated Outflow Remittance for Investment from Taiwan as Of December 31, 2019 (Note 2)	Net Income (Loss) of the Investee	Percentage of Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019	Note
					Outflow	Inflow							
Joy Technology (Shenzhen) Co., Ltd.	Selling and producing of high-end networks switches	$ 1,334,110 (USD 44,500)	Note 1	$ 1,109,260 (USD 37,000)	$ -	$ -	$ 1,109,260 (USD 37,000)	$ 636,419	100%	$ 636,419	$ 4,004,652	$ -	Note 3
Accton Technology Co., Ltd.	Selling and marketing of network products	179,880 (USD 6,000)	Note 1	179,880 (USD 6,000)	-	-	179,880 (USD 6,000)	44,511	100%	44,511	92,844	-	Note 3
Noctilucent Systems (Shanghai) Limited	Development, design and manufacture of software, selling product and consultation and service of technique	149,900 (USD 5,000)	Note 1	196,879 (USD 6,567)	-	-	196,879 (USD 6,567)	-	-	-	-	-	Notes 5 and 8
ATAN Networks Co., Ltd.	Selling and marketing of network products	59,960 (USD 2,000)	Note 11	59,960 (USD 2,000)	-	-	59,960 (USD 2,000)	(6,061)	100%	(6,061)	3,696	-	Notes 3 and 10

Equity-method Investee Company	Accumulated Investment in Mainland China as of December 31, 2019 (USD in Thousands)	Investment Amounts Authorized by the Investment Commission MOEA (USD in Thousands)	Ceiling Amount on of the Corporation's Investment in Mainland China
Joy Technology (Shenzhen) Co., Ltd.	USD 37,000	USD 44,500 (Note 4)	$ 7,680,232
Accton Technology Co., Ltd.	USD 6,000	USD 6,000	
Noctilucent Systems (Shanghai) Limited	USD 6,567 (Notes 5 and 8)	USD 5,000	
ATAN Networks Co., Ltd.	USD 2,000	USD 2,000	
Arcadyan Technology (Shanghai) Corp. (Note 6)	USD 684	USD 5,586	
Tomato Technology (Shanghai) Corp. (Note 7)	USD 380	USD 380	
Zhuhai Jinfangda Technology Co., Ltd. (Note 9)	USD 937	USD 937	

Note 1: Investment made in mainland China was through the Company's subsidiaries that are located in the third region.

Note 2: Based on the exchange rate as of December 31, 2019.

Note 3: The amount was recognized based on the audited financial statements.

Note 4: Issuance of ordinary shares out of retained earnings amounted to USD7,500 thousand.

Note 5: Repayment of debt amounted to USD1,567 thousand.

Note 6: In December 2009, the Company sold 17% shares of Arcadyan Technology (Shanghai) Co., Ltd. to Arcadyan Technology Company and its affiliates.

(Continued)

Note 7: Tomato Technology (Shanghai) Corp. was sold in July 2009. The Investment Commission of the Ministry of Economic Affairs approved the sale of the investment.

Note 8: In September 2017, the Company sold Noctilucent (HK)'s 81% shares and jointly disposed of Noctilucent Systems (Shanghai) Limited. The resale case was approved by the Ministry of Economic Affairs for review. In addition, as stated in the letter issued by the Ministry of Economic Affair Investment Review Committee, when Nocsys remits the transferred share capital, the accumulated investment in mainland China will be deducted.

Note 9: On April 19, 2019, the Company got the approval from the Investment Board, Ministry of Economic Affairs to invest in Zhuhai Jinfangda Technology Co., Ltd. which was recognized under the financial assets at fair value through profit or loss - non-current.

Note 10: In order for Edgecore Networks Corporation to reorganize the Company's organizational structure, Edgecore Networks Corporation acquired 100% of ATAN Newworks Co., Ltd.'s shares which were held by Horwood Limited in September 2019.

Note 11: Originally, the investment in mainland China was through the Company's subsidiaries that is located in the third region. Since the Company reorganized its organization structure in September 2019, Edgecore Networks Corporation will invest in mainland China directly.

(Concluded)

VI. As of the publication date of the Annual Report, have the Company and its affiliated companies encountered any financial difficulties that affect the Company's financial status: None.

VII. Review, Analysis, and Risks of Financial Conditions and Performance

I. Financial Analysis

(1) Analysis of the changes in the financial status of the most recent two years:

Unit: NT$ Thousand

Year / Items	2019	2018	Differences	
			Amount	%
Current Assets	27,048,534	20,873,566	6,174,968	30%
Property, Plant and Equipment	1,324,280	966,604	357,676	37%
Other Assets	1,094,746	503,755	590,991	117%
Total Assets	29,521,087	22,378,327	7,142,760	32%
Current Liabilities	15,237,848	12,068,256	3,169,592	26%
Non-current Liabilities	1,480,262	31,475	1,448,787	4,603%
Total Liabilities	16,718,110	12,099,731	4,618,379	38%
Share Capital	5,580,514	5,575,899	4,615	0%
Capital Reserve	805,715	795,148	10,567	1%
Accumulated Profit or Loss	7,003,401	4,259,345	2,744,056	64%
Equity Attributable to Owners of Parent Companies	12,802,977	10,271,902	2,531,075	25%

(2) The main reasons for the significant changes in assets, liabi1lities and equity in the past two years and their impact:

1. The increase in current assets was due to the increase in cash, financial assets and inventories as a result of the growth in revenue and customer demand.
2. The increase in property, plant and equipment was due to the demand for plant expansion and the increase in the purchase of related equipment.
3. The increase in other assets was due to recognition of use right assets in the period.
4. The increase in assets was due to the increase in assets caused by the increase in business demand and plant expansion.
5. The increase in current liabilities, other liabilities and total liabilities was due to the increase in customer demands, inventories and the purchase of related materials.
6. The increase in accumulated profit and loss, equity attributable to owners of parent companies was due to the improvement in performance and the increase in revenue.

(3) Future planning for the significant impact: N/A.

II. Financial Performance

(I) Analysis of the changes in the financial status of the most recent two years:

Unit: NT$ Thousand

Items / Year	2019	2018	Amount of Increase (Decrease)	Percentage of Change (%)	Change Analysis
Net Sales Revenue	55,401,047	43,092,155	12,308,892	29%	1
Cost of Sales	44,402,285	35,312,058	9,090,227	26%	1
Gross Profit	10,998,762	7,780,097	3,218,665	41%	1
Operating Expenses	4,958,779	4,307,389	651,390	15%	
Operating Income (Loss)	6,039,983	3,472,708	2,567,275	74%	1
Non-operating Income and Expenses	89,662	225,031	(135,369)	(60%)	2
Profit Before Tax	6,129,645	3,697,739	2,431,906	66%	1
Income Tax Expenses	1,180,073	745,558	434,515	58%	1
Net Profit (Loss)	4,949,572	2,952,181	1,997,391	68%	1
Net Profit Attributable to Owners of Parent Companies	4,950,495	2,952,449	1,998,046	68%	1

Analysis of Changes in Percentage

1. The increase in sales income, cost of sales, gross profit, profit (loss) before tax, income tax expense, income tax expense and net profit attributable to the parent company owner was mainly due to the improvement in performance.
2. The increase in non-operating income and expenses is due to the impact of the current exchange rate fluctuation in the period.

III. Cash Flow

(1) Analysis of the Changes of Cash Flow in the Most Recent Two Years

Items / Year	2019	2018	Percentage of Increase/Decrease (%)
Cash Flow Ratio	56.51	17.03	232%
Cash Flow Adequacy Ratio	51.81	34.46	50%
Cash Flow Reinvestment Ratio	37.63	(1.91)	(2,070%)

Analysis of Changes in Percentage

1. Cash flow ratio, cash flow adequacy ratio and cash flow reinvestment ratio are the results of the increase in cash inflow due to the increase in operating revenue.

(2) Plan for improving insufficient liquidity: None

(3) Analysis of cash liquidity of the following year:

Unit: NT$ Thousand

Cash Balance at the Beginning of the Period (A)	Annual Net Cash Flow from Operating Activities (B)	Annual Cash Outflow (C)	Cash Surplus (Inadequacy) (A) + (B) – (C)	Remedial Measures for Cash Inadequacy	
				Investment Plan	Financial Plan
6,221,855	5,900,283	5,370,679	6,751,459	—	—

1. Analysis of Changes in the Cash Flow during the Year
   (1) Operating Activities: Net cash inflow from operating activities is primarily the estimated profit plus depreciation and amortization of 2020.
   (2) Investing and financing activities: Cash outflow from investing activities is mainly the estimated amount for the purchase and replacement of equipment and instruments, and cash dividends to shareholders, Directors and employees in 2020.
2. Plan for improving insufficient liquidity and analysis of the liquidity of the following year: N/A.

IV. Impact of major capital expenditures on finance and business in the most recent year: None.

V. Policies on investment in other companies, main reasons for their profit or loss and improvement plans in the most recent year, and investment plans for the following year.

(1) Policies on Investment in Other Companies

To increase international market share by expanding international marketing network, integrating the related upstream and downstream industries, as well as to achieve diversified operations by mastering key components and technologies, Accton's policies on re-investment in other companies in recent year are described as follows:

Unit: NT$ Thousand

Name of Related Company	Main Business	Year of Investment	Shareholding Ratio	December 31, 2019 Book Value
Joy Technology (Shenzhen) Corporation	The production and sale of computer network adaptors	2005	100%	4,004,652
Edgecore Networks Corporation	The research, development, design, manufacture and sale of network switches	2009	100%	1,427,498

(2) Analysis of Profit and Loss of Policies on Investment in Other Companies

1) Investment in mainland China was due to the increase in gross profit resulting from the adjustment made to product portfolio compared with last year, the investment in Joy Technology of the period was NT$636,419 thousand.

2) Investment in brand business: due to the emergence of the new data network, Accton cooperated with different SDN software manufacturers to develop the Data Center of new open structure and has successfully sold 10G/40G/25G/100G ultra-high-speed backbone data switches for open networking. During the period. profit from the investment in Edgecore Networks amounted to NT$548,566 thousand.

(3) Investment plans for the following year: None

VI. Risk Analysis and Evaluation (of the Most Recent Year and as of the Publication Date of the Annual Report)

(1) Impact of interest rate, exchange rate fluctuations and inflation on Accton's profit and loss, and future strategies:

2019 was the year of the US-China tariff and trade dispute. Although both sides have signed the first phase of agreement in 2020, it is widely expected that it will not end this year. In 2020, in the face of another major difficulty, the spread of COVID-19 worldwide, as this epidemic continues to spread, the impact on the global economy is yet to be determined.

Due to the uncertainties of the above factors, the interest and exchange rates are expected to fluctuate significantly this year. Amidst such uncertainties, Accton will remain prudent, pay close attention from the overall global economy to fluctuations of exchange and interest rate and the financial markets, and establish appropriate risk management systems and response strategies to avoid the impact of the above situations on the operation of Accton. Accton mainly adopts the natural hedge strategy, with the aid of financial instruments if necessary, to reduce foreign exchange exposures and interest rate risks, and avoid further impact on Accton's profit and loss.

(2) Policies on high-risk, highly-leveraged investments, loans to other parties, endorsements, guarantees and derivatives trading, main reasons for the profits or losses generated thereby, and future strategies:

Asset safety has always been Accton's primary aim and policy, our operating procedures stick to the principle without any high-risk or highly-leveraged investment. Accton's policies on loans to other parties, endorsements, guarantees and derivatives trading are implemented fully in accordance with its operating procedures and relevant laws and regulations based on the priority of asset safety as the principle, and there is no significant profit or loss. Accton will continue to follow the operating procedures and related laws and regulations to ensure asset security in the future.

(3) Future R&D projects and projected expense:

In the current and future years, there will be continuous changes and developments in the technology evolution, network architecture, and business model in the communications market. We need to be closer to the client, and actively and innovatively face the problems facing customers, manufacturers and themselves to the situation. In related application fields, services such as high frequency bandwidth, low latency, artificial intelligence, edge computing, etc., will play a very important role in the future development of the industry. High bandwidth, high power, faster port speed, heat dissipation, signal power integration, time synchronization, automation, optical technology, security, etc. become more and more important in today's market. When new services required by end customers are provided, the process is getting faster and faster, the overall price continues to fall, the quality of high-end products, non-stop and good service quality, the challenges we have encountered have never stopped, and they are getting bigger and bigger.

Accton will continue to focus on product development in areas such as data centers, artificial intelligence, telecommunications operations, the Internet of Things, wireless, etc., and focus on areas that are forward-looking, developmental, executable, technologically differentiated, and commercial prospects. As a leader in the field of communications, contribute to the entire communications industry, assist in solving related problems, open up the road to prosperity for the company, and lead a better development future.

The entire product development plan includes the following areas, which are roughly described as follows:

1. Enterprise Ethernet Switch

   Continue to make full use of Accton's past experience in traditional Ethernet switches, professional accumulation of PoE hardware and software, and continue to provide high cost-effective, fast product cycle products to end customers. In addition to ODM's business model, it also plans to integrate cloud and controller operation modes to provide better service value-added, continue to expand the huge market of SMB / Enterprise, and increase effective operating income.

2. Telecom products

   In telecommunication operation networks, we will focus on backhaul networks, aggregation networks, edge computing, fronthaul networks, fiber optic transmission networks, etc., and actively develop and provide more value-added products. Open community activities, including hardware and software, promote and adapt to the layering of network architecture, accelerate the progress of product innovation, and change the telecommunications industry ecosystem. Accton will focus on the research and development of high stability, low latency, security, thermal management, virtualization, programmable, highly accurate time synchronization, optical modulation, and RF network systems to create high-profit, high-difference products. In today's future mobile network, more base stations are deployed, and the evolution of the telecommunications network deployment architecture has increased user coverage, increased data traffic and network slicing requirements, and provided better and better product experience.

3. Data center and Artificial Intelligence

Accton will continue to invest in high-speed data center equipment development projects, focusing on high-end, high-performance Ethernet switches, intelligent network interface controllers, long-distance optical devices, wavelength converters and other equipment, covering low to extreme High speed, currently covering 600G and 800G speeds, and also continuing to higher transmission speeds. We have participated in the activities of the open Internet community, including hardware, firmware, software, operating systems, end-to-end service applications, etc., leveraging innovative energy for research and development, and working together to contribute wisdom to rapidly iteratively develop the future network technology. At the same time, it actively cooperates with third-party software vendors to develop network software systems, promote network layered architecture, and increase opportunities for the network to open the market. With more and more new technologies and new markets, Accton will actively maintain and establish close partnerships with advanced technology manufacturers, conduct deeper communication with customers, and accumulate more important information energy for product development. To build a solid sales, marketing, R & D and factory team.

Under the framework of software-defined networking and artificial intelligence, we continue to develop smart acceleration cards that can offload server load and enhance server performance, and can operate independently in an IO virtualized environment. We also focus on high-performance deep learning engine products. Development to provide a platform that integrates the data processing plane, controller plane, service application plane, etc., and establishes end-to-end service models, such as virtual containers, service concatenation, and virtual container management systems, to meet complete construction systems and solutions To meet the needs of highly scalable and reliable platforms.

Combining the above development plans, Accton will continue to develop network products with competitive price-performance ratio, excellent signal power integration, low energy consumption, and information network security, maintaining and expanding its product and market areas leading position.

4. Internet of Things

Continue to research and develop sensing network gateways, cloud data analysis back-end platforms, sensors and brakes on new communication technologies to provide complete end-to-end solutions, and vertically integrate to meet customer needs for different application scenarios. It is safer and easier to use and enhances the convenience of life. In response to the trend of operators' Internet of Things, we actively participate in the test of the proof-of-concept platform, build and operate the physical architecture, increase the actual experience and revenue, integrate data from different application areas, and introduce deep learning training and rendering hardware. Accelerating elements for more effective intelligent analysis and application. At the same time, we also continue to cooperate with third-party software and hardware manufacturers to continue to increase the flexibility of the cloud platform, introduce a network architecture that virtualizes network functions, optimize protocols and Multi-Tenent to attract end users and increase business opportunity.

5. Wireless Network

It is closely integrated with 5G and continues to invest in more advanced wireless technology and tiny smart high-frequency antenna arrays to provide better products to users. It also develops mini-meter wave products and beamforming technologies and applications, and is committed to simplifying the deployment and construction of the network to optimize user data traffic. In virtualization and cloudization, integrate various wireless products and technologies, and develop more stable and value-added end-to-end systems. At the same time, it will strengthen the intelligent automation of factory production, continue to improve product manufacturing costs and quality, and increase competitive advantage and revenue.

These above-mentioned product R & D plans have been implemented in accordance with certain plans. In the face of unpredictable changes and challenges, we will also observe market trends simultaneously and adjust the pace of R & D accordingly in order to strive for favorable competitive advantages and generate revenue for the company And the future. In 2020, in response to business growth needs and continued investment in new plans, it is estimated that R & D expenditures account for about 5% of revenue.

(4) Impact of the changes in domestic and overseas important policies and laws on Accton's finance and business, and countermeasures:
Accton's relevant departments have followed important domestic and overseas policies strictly, as well as adjusted the company's finance and business to the changes with close attention. Accton actively operates in accordance with the promotion of corporate governance system made by competent authorities, amendments to Company Act, Securities and Exchange Act and various business processing rules, as well as the changing tax laws and regulations. As of the publication date of the annual report, there's no significant impact on Accton's operation caused by the changes of relevant laws and regulations.

(5) Impact of changes in technology and industry on the company's finance and business, and countermeasures:
With business units specially responsible for collecting the latest industry trends and market information, and the outstanding management team of veteran professionals experienced in market development, customer interactions, marketing management and even adjustments to the changes of the industry, Accton is able to respond to market changes, customer demands, technology development and industrial supply and demands quickly. Overall speaking, there's no obvious impact on Accton's finance and business caused by technology changes at present.

(6) Impact of the changes in corporate image on Accton's risk management, and countermeasures:
Accton has built a corporate image full of hope and ideas since its establishment. Accton aims to become one of the leading professional designers or OEM of network communication equipment in the world, create a corporate culture maximizing benefits, share its achievements with all the partners and ensure the upmost interests of shareholders. In addition to improving business development, Accton also focuses on enhancing its transparency, as well as the partnership between domestic and oversea shareholders and investment institutions. Accton insists to be open and transparent, explaining any major news at once for good communications.

(7) Expected benefits and possible risks of mergers, and countermeasures:
Accton has no merger plan in the most recent year as of the publication date of the annual report.

(8) The expected benefits and possible risks to expand plants, and countermeasures:
Expected Benefits
1. Reducing the impact of 10% to 25% tariff impose by the US-China trade war.

2. Production capacity and value increased, the number of Taiwan SMT lines increased from 3 to 8, machine combination increased, production capacity doubled.
3. In response to the COVID-19 outbreak in 2019, we have established backup production capacity. From the second half of 2020 to 2021, the production capacity will continue to be evaluated and expanded depending on the global epidemic situation. Risk assessment in various regions will also be conducted.
4. Building offsite production risk management and capacity adjustment systems

Possible Risks

1. Customer will require production in mainland China to reduce its purchase costs due to cancellation of mutual taxation following the negotiation made on tariff between China and United States.
2. Recruitment will be restricted by market supply and government regulations, unable to keep pace with the progress of plant construction.
3. In response to the COVID-19 in 2019, countries began to implement immigration restrictions, affecting the recruitment and return of foreign employees.
4. The epidemic situation in the mainland and the world remained uncertain, the resumption progress at each production site shall be monitored for the supply of materials.

Countermeasures

1. The consolidation of headquarter SMT production line at the Zhunan Plant.
2. Upgrading current production lines in Taiwan with newly added production lines, equipment and technologies, continue to include SMT production lines in the Zhunan Plant to reduce management and plant leasing costs.
3. Continue to negotiate continuous support strategies for remote backup business with customers, regulating production capacity in a flexible way.
4. Continue to communicate with the central and local governments on the recruitment limit of foreign employees and expand the recruitment channels in the neighboring areas of Zhunan.

(9) Risks resulting from consolidation of purchasing or sales, and countermeasures:
Accton concluded contracts with major customers to ensures the sales between both parties, thus the influence on the company is limited; we also continue to develop new suppliers to avoid excessive concentration.

(10) Impact and risks resulting from major equity transfer or replacement of Directors, Supervisors, or shareholders holding more than 10% of the company’s shares, and countermeasures:
Accton’s Directors and Supervisors hold shares in accordance with statutory requirements, and there is no problem about insufficient shareholding.

(11) Risks and impact on Accton resulting from the change in management right, and countermeasures:
There hasn’t been any change in management right since Accton’s establishment.

(12) Litigation or non-litigation event, any material litigation, non-litigation or administrative litigation for which judgment has been made or is pending for judgment related to the company and its directors, supervisors, general managers, actual responsible persons, and shareholders holding more than 10% of the Company’s shares and, if the result thereof may have significant influence on shareholders’ rights and interests or the price of securities, the fact, object amount, litigation commencement date, main parties involved and the settlement condition as of the publication date of the annual report shall be specified: None.

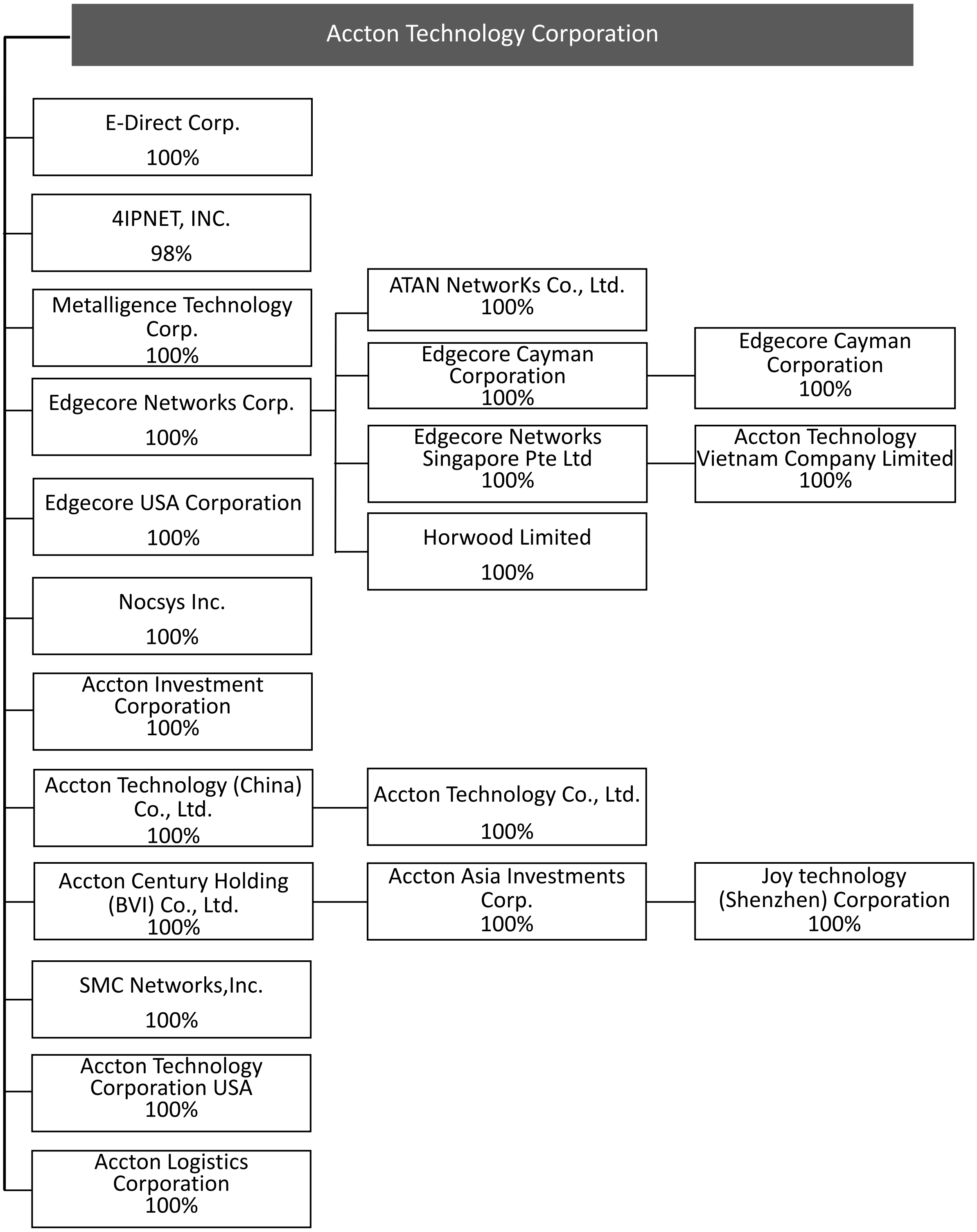
VII. Other Important Issues: None.

VIII. Specially Recorded Issues

I. Relevant Information about Related Companies

(1) Structure Overview of Related Companies

1. Organizational Structure of Related Companies



Note: As of December 31, 2019

2. Basic Information about Related Companies

Company Name	Date of Establishment	Address	Paid-in Capital		Main Business or Production Items
Accton Logistics Corporation	2006/1/10	3932 Sanford Creek Avenue, Wake Forest, NC 27587, U.S.A.	USD	-	Sales and marketing of high-quality local area network products
Accton Technology Corporation USA	1988/2/25	1200 Crossman Ave, Suite 130 Sunnyvale, CA 94089, U.S.A.	USD	2,198,510	Technical services for high-quality local area network products
SMC Networks,Inc.	1997/9/22	20 Mason Street, Irvine, CA 92618,U.S.A.	USD	48,298	Sale of computer and network related products
Accton Century Holding (BVI) Co. Ltd.	2000/3/2	Vistra Corporate Services Centre, Wickhams Cay Ⅱ, Riad Town, Tortola, VG1110, British Virgin Islands	NTD	1,664,415,674	Holding company which transfers from operation to investment
Accton Asia Investments Corp.	1999/11/25	Vistra Corporate Services Centre, Wickhams Cay Ⅱ, Riad Town, Tortola, VG1110, British Virgin Islands	NTD	1,320,095,956	Holding company which transfers from operation to investment
Joy Technology (Shenzhen) Corporation	2005/8/24	HengKeng Ind., Shangpai, Shangwu, Aiqun Rd., Shiyan Town, Shenzhen 518108 China	CNY	317,617,200	Production and sales of high-end internet switch
Accton Technology (China) Co.,Ltd.	2001/5/9	P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205,Cayman Islands	NTD	220,127,000	Holding company which transfers from operation to investment
Accton Technology Co., Ltd.	2001/9/12	5F, 63#, No.,421 HongCao Rd., Shanghai, China	CNY	49,650,360	Sale of computer and network related products
Accton Investment Corporation	1997/5/19	Vistra Corporate Services Centre, Wickhams Cay Ⅱ, Riad Town, Tortola, VG1110, British Virgin Islands	NTD	30,405,061	Holding company which transfers from operation to investment
Nocsys Inc.	2014/5/14	P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205,Cayman Islands	NTD	182,319,435	Holding company which transfers from operation to investment
Edgecore Networks Corp.	2009/11/4	No.1, Creation Road 3, Hsinchu Science Park, Hsinchu, Taiwan (R.O.C.)	NTD	500,000,000	Research, development, design, manufacturing and sales of network switches
Horwood Limited	2005/10/3	P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205,Cayman Islands	NTD	65,024,000	Holding company which transfers from operation to investment
ATAN NetworKs Co., Ltd.	2005/11/1	2F,66#, No. 421 HongCao Rd., Shanghai	CNY	15,888,160	Sales of computer and network related products

Edgecore Networks Singapore Pte Ltd.	1997/8/1	15 Enggor Street, #10-04 Realty Centre, Singapore 079716	SGD	3,556,900	Sales and marketing of high-quality local area network products
ACCTON TECHNOLOGY VIETNAM COMPANY LIMITED	2010/1/13	Room 803, No.18, Lane 11, Thai Ha Street, Trung Liet Ward, Dong Da District, Hanoi, Vietnam	VND	5,550,000,000	Sales of computer and network related products
Edgecore Cayman Corporation	2017/7/5	Corporate Filing Services Ltd., 3rd Floor, Harbor Centre, PO Box 613, George Town, KY-1107, Grand Cayman, British West Indies.	NTD	30,285,000	Holding company which transfers from operation to investment
Edgecore USA Corporation	2015/5/1	20 Mason, Irvine, CA 92618	USD	10,000	Sales and marketing of high-quality local area network products
Edgecore Americas Networking Corporation	2017/6/19	20 Mason, Irvine, CA 92618	USD	0	Sales and marketing of high-quality local area network products
Metalligence Technology Corp.	2010/7/14	13F., No.102, Guangfu S. Rd., Da'an Dist., Taipei City 10694, Taiwan (R.O.C.)	NTD	46,407,170	Consumer e-commerce app, information software and advertising services
4IPNET, INC.	2002/5/20	5 F, No.367, Fu-hsing North Road, Taipei, Taiwan (R.O.C.)	NTD	80,000,000	Research, development, production and sales of corporate wireless network products and solutions
E-Direct Corp.	2000/5/29	13F., No.102, Guangfu S. Rd., Da'an Dist., Taipei City 10694, Taiwan (R.O.C.)	NTD	38,519,100	Supply of software and electronic information and other business

Note 1: All related companies shall be disclosed, regardless of the scope.

Note 2: If any related company has a factory, and the sales value of the factory's products exceeds 10% of the operating income of its controlling company, the name, date of establishment, address and main products of the factory shall be specified.

Note 3: If any related company is a foreign company, its name and address shall be specified in English, its date of establishment shall be indicated in calendar date, and its paid-in capital shall be stated in foreign currency (the exchange rate on statement date shall be indicated as well).

3. For those with controlling and subordinate relation as inferred, the information about the same shareholders: None.
4. Overall Business Scope of All Related Companies
   The business items of Accton and its related companies include design, research, development, production, sales and services of network information and communication, as well as other products in the Internet industry.
5. Information about Directors, Supervisors, and President of Related companies:

Unit: NT$ Thousand; Shares; %

Company Name	Job Title	Name or Representative	Shares Held (Note 2) (Note 3)	
			Number of Shares	Shareholding Ratio

Company Name	Job Title	Name or Representative	Shares Held (Note 2) (Note 3)	
			Number of Shares	Shareholding Ratio
Accton Logistics Corporation	Director	K.T. Chiou	0	0.00%
	Director	Rebecca Lin	0	0.00%
	Director	J.C. Weaver	0	0.00%
Accton Technology Corporation USA	Director	Paul Kim	0	0.00%
	Director	Jack C.Weaver	0	0.00%
	Director	Yu, Ji-Hsiang	0	0.00%
SMC Networks,Inc.	Director	Yu, Ji-Hsiang	0	0.00%
	Director	Paul Kim	0	0.00%
	Director	Edgar Masri	0	0.00%
	Secretary/ Treasurer	Jack Weaver	0	0.00%
Accton Century Holding (BVI) Co. Ltd.	Director	Yu, Ji-Hsiang	0	0.00%
	Director	Chiu, Kuo-Tai	0	0.00%
	Director	Lin, Meen-Ron	0	0.00%
Accton Asia Investments Corp.	Director	Yu, Ji-Hsiang	0	0.00%
	Director	Chiu, Kuo-Tai	0	0.00%
	Director	Lin, Meen-Ron	0	0.00%
Joy Technology (Shenzhen) Corporation	Chairman of the Board	Chiu, Kuo-Tai	0	0.00%
	Director	Huang, An-Jye	0	0.00%
	Director	Kuo, Fai-Long	0	0.00%
	Supervisor	Chen,Wen-Chi	0	0.00%
Accton Technology (China) Co.,Ltd.	Director	Yu, Ji-Hsiang	0	0.00%
	Director	Chiu, Kuo-Tai	0	0.00%
	Director	Lin, Meen-Ron	0	0.00%
Accton Technology Co., Ltd.	Chairman of the Board	Huang, Kuo-Hsiu	0	0.00%
	Director	Chiu, Kuo-Tai	0	0.00%
	Director	Yu, Ji-Hsiang	0	0.00%
	Supervisor	Chen, Wen-Chi	0	0.00%
Accton Investment Corporation	Director	Yu, Ji-Hsiang	0	0.00%
	Director	Chiu, Kuo-Tai	0	0.00%
	Director	Lin, Meen-Ron	0	0.00%
Nocsys Inc.	Director	Lin, Meen-Ron	0	0.00%
	Director	Yu, Ji-Hsiang	0	0.00%
	Director	Lee, Wei-Shuo	0	0.00%
Edgecore USA Corporation	Director	Lin, Meen-Ron	0	0.00%
	Director	Jen Tsung Shueh	0	0.00%
	Director	Lin, Mei-Hui	0	0.00%
Edgecore Networks Corp.	Chairman of the Board	Representative of Accton Technology Corporation: Lin, Meen-Ron	50,000,000	100.00%
	Director	Representative of Accton	50,000,000	100.00%

Company Name	Job Title	Name or Representative	Shares Held (Note 2) (Note 3)	
			Number of Shares	Shareholding Ratio
		Technology Corporation: Lee, Chih-Chiang		
	Director	Representative of Accton Technology Corporation: PAUL KIM	50,000,000	100.00%
	Supervisor	Representative of Accton Technology Corporation: Chen, Fang-I	50,000,000	100.00%
Horwood Limited	Director	Yu, Ji-Hsiang	0	0.00%
	Director	Chiu, Kuo-Tai	0	0.00%
	Director	Lin, Meen-Ron	0	0.00%
Edgecore Networks Singapore Pte Ltd.	Director	Huang, An-Jye	0	0.00%
	Director	Lin, Meen-Ron	0	0.00%
	Director	Huang, Kuo-Hsiu	0	0.00%
Accton Technology Vietnam Company Ltd.	President	Huang, Kuo-Hsiu	0	0.00%
Edgecore Cayman Corporation	Director	Representative of Edgecore Networks Corp. Lin, Meen-Ron	30,285,000	0.00%
Edgecore Americas Networking Corporation	Director	Lin, Meen-Ron	0	0.00%
	Director	Jen, Tsung-Shueh	0	0.00%
	Director	Lin, Mei-Hui	0	0.00%
ATAN NetworKs Co., Ltd.	Chairman of the Board	Lin, Meen-Ron	0	0.00%
	Director	Jen, Tsung Shueh	0	0.00%
	Director	Pao, Chien Kuo	0	0.00%
	Supervisor	Lin, En-Hui	0	0.00%
Metalligence Technology Corp.	Chairman of the Board	Representative of Accton Technology Corporation: Lin, Meen-Ron	4,640,717	100.00%
	Director	Representative of Accton Technology Corporation: Kuo, Fai-Long	4,640,717	100.00%
	Director	Representative of Accton Technology Corporation: Teng, Tian-Lai	4,640,717	100.00%
	Supervisor	Representative of Accton Technology Corporation: Chen, Fang-I	4,640,717	100.00%
4IPNET, INC.	Chairman	Representative of Accton Technology Corporation: Liu, Sheng-Shun	7,840,084	98.00%
	Director	Representative of Accton Technology Corporation:	7,840,084	98.00%

Company Name	Job Title	Name or Representative	Shares Held (Note 2) (Note 3)	
			Number of Shares	Shareholding Ratio
		Lin, Meen-Ron		
	Director	Representative of Accton Technology Corporation: Hsu,Teng-Tai	7,840,084	98.00%
	Supervisor	Chen, Fang-I	0	0.00%
E-Direct Corp.	Chairman of the Board	Representative of Accton Technology Corporation: Huang, Kuo-Hsiu	3,851,910	100.00%
	Director	Representative of Accton Technology Corporation: Kuo, Fai-Long	3,851,910	100.00%
	Director	Representative of Accton Technology Corporation: Lin, Meen-Ron	3,851,910	100.00%
	Supervisor	Representative of Accton Technology Corporation: Chen, Fang-I	3,851,910	100.00%

Note 1: If any related company is a foreign company, equivalent position shall be specified.

Note 2: If any investee is a company limited by shares, please fill out in its number of shares and shareholding ratio; while for others, please complete and indicate investment amount and capital contribution ratio.

Note 3: If any Director or Supervisor is a legal person, the relevant information about its representative shall be disclosed.

(2) Operational Overview of Related Companies

Unit: NT$ Thousand; Shares; %

Company Name	Capital	Total Assets	Total liabilities	Net Value	Operating Revenue	Operating Income	Current Profit or Loss (After Ttax)	Earnings Per Share (NT$) (After Ttax)
Accton Logistics Corporation	0	819,023	710,951	108,072	19,290	3,402	3,157	—
Accton Technology Corporation USA	65,911	199,567	23,310	176,257	86,788	4,475	886	—
SMC Networks, Inc.	1,448	208,957	58,348	150,609	258,076	(39,029)	(22,621)	—
Accton Century Holding (BVI) Co. Ltd.	1,664,416	4,655,386	493,680	4,161,706	0	(57)	621,906	—
Accton Asia Investments Corporation (BVI)	1,347,482	4,533,649	495,706	4,037,943	0	(332)	621,834	—
Joy Technology (Shenzhen) Corporation	1,364,960	10,311,651	6,306,999	4,004,652	30,031,575	787,611	636,419	—
Accton Technology (China) Co., Ltd.	220,127	99,731	0	99,731	0	0	44,343	—
Accton Technology Co., Ltd.	213,372	839,976	747,132	92,844	2,102,546	42,144	44,511	—
Accton Investment Corporation (BVI)	30,405	215,754	0	215,754	0	(57)	3,911	—
Nocsys Inc.	199,434	2,861	0	2,861	0	0	(58)	—
Edgecore USA Corporation	300	3,150,495	3,108,540	41,955	7,419,849	2,656	8,026	—
Edgecore Networks Corp.	500,000	3,035,250	1,566,467	1,468,783	6,611,490	605,875	548,566	—
Horwood limited	65,024	8,537	0	8,537	0	(223)	(2,053)	—
Edgecore Networks Singapore Pte Ltd.	79,248	24,599	1,887	22,712	41,951	741	850	—
Accton Technology Vietnam Company Limited	6,494	4,857	1,307	3,550	0	0	0	—
Edgecore Cayman Corporation	30,285	(37,315)	0	(37,315)	0	(162)	2,185	—
Edgecore Americas Networking Corporation	0	318,927	403,272	(84,345)	1,203,513	9,468	(3,605)	—
ATAN NetworKs Co., Ltd.	68,279	17,019	13,323	3,696	8,516	(5,375)	(5,375)	—
Metalligence Technology Corp.	46,407	14,373	2,049	12,324	6,262	(13,029)	(12,831)	—
4IPNET, Inc.	80,000	14,842	29,174	(14,332)	66,709	(30,574)	(46,135)	—
E-Direct Corp.	38,519	124,437	46,948	77,489	78,478	26,896	22,136	—

Note 1: All related companies shall be disclosed, regardless of the scope.

Note 2: All related companies shall be disclosed with their financial data of 2019 udited by CPAs.

Note 3: If any related company is a foreign company, its relevant figures shall be presented in NT$ as converted at the exchange rate on the reporting date.

	Balance Sheet	Comprehensive Income Statement
USD Exchange Rate:	29.9800	30.9120
SGD Exchange Rate:	22.2800	22.6600
RMB Exchange Rate:	4.2975	4.4821
EUR Exchange Rate:	33.5900	34.6100
VND Exchange Rate:	0.00117	0.00121

II. Privately offered securities in the most recent year as of the publication date of the annual report: None.

III. Accton's shares held or disposed by subsidiaries in the most recent year as of the publication date of the annual report

Subsidiary's Name	Paid-in Capital	Source of Funds	Accton Shareholding Ratio	Date of Acquisition or Disposal	Number & Amount of Shares Acquired	Number & Amount of Shares Disposed	Profit and Loss from Investment	Number & Amount of Shares Held as of the Publication Date of the Annual Report	Rights Pledged	Amount of Guarantee Endorsed by Accton for Subsidiaries	Amount of Loan from Accton to Subsidiaries
Accton Investment Corp.(BVI)	NTD 30,405,061	Self-owned funds	100%	90/01/04 To 90/12/28	2,209,867 shares NT$50,999 Thousand	—	—	2,209,867 shares NT$50,999 Thousand	None	0	0
				Current year as of the publication date of the annual report							

IV. Other Necessary Supplements: None.

V. Any event occurred in the most recent year as of the publication date of the report which has material impact on shareholders' rights and interests or the price of securities against Item 2 of Paragraph 2 under Article 36 of the Securities and Exchange Act: None.

Accton Technology Corporation

Chairman:Kuo Fai-Long

Accton
智邦科技

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