

# 2020 Annual Report

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## Accton Technology Corporation



**Notice to readers**

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



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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 2020 and business plans for 2021.

### **I. 2020 Business Results**

#### **(1) Implementation and Results of the 2020 Business Plan**

In 2020, the Company's consolidated revenue was NT\$54.463 billion, a decrease of about 1.7% compared with the previous year, and the consolidated net profit after tax was NT\$5.048 billion, an increase of about 2% over the previous year. In terms of revenue distribution in various product lines, the network switch accounted for 71% of the total revenue, the network application equipment accounted for 14% of revenue, the network access equipment accounted for 9% of revenue, and the wireless network equipment accounted for 2% 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 2020, 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 2020 was NT\$54.463 billion, a decrease of about 1.7% compared with the previous year; the consolidated gross profit margin of the whole year was 21%; the consolidated net profit after tax was NT\$5.048 billion, equivalent to the consolidated net profit after tax per share of NT\$9.07.

#### **(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 2020 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/400G and 800G switches.
3. Leading in the development of high-density 200G/600G fiber optic transmission products that provide connections between data centers, fulfilling the transmission demand between data centers.

4. Leading in the development of open network in line with 5G architecture action return Cell Site Router, convergence Router and other Telecom-grade products.
5. Leading in the development of software-defined wide area network (SD-WAN) products.
6. Leading in the development of 50G/200G Ethernet bunch of flash (EBOF) products.
7. Leading in the development of integrated server function programmable switch products.
8. Leading in the development of optical module switch products.
9. 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.
10. Development in wireless network technology, including 5G, Wi-Fi 6 and other newly developed wireless network technology products.
11. 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.
12. 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.
13. 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

We have taken a number of measures to expand, protect and diversify our supply chain, and to meet the increasingly stringent cyber security requirements of our customers and partners in the process. We also found some potential growth opportunities in emerging markets such as India, which attracted the interest of the customer.

Current production and marketing policies are as follows:

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 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 Telecom network service operator.

### (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, 802.11ay 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 production allocation in response to market and customer demand.
2. Implement customer-oriented supply chains, optimize product production process, and implement production line intelligence.
3. Implement 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, produce 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. Due to the influence of COVID-19 epidemic, many existing and potential customers can't visit on site. We carried out a series of activities, such as presenting the headquarters and manufacturing plant through video and community media, introducing Accton to new customers around the world and protecting the existing customers from being affected by the epidemic. At the same time, we provide a secure meeting and interactive environment for local customers, partners and employees. Most importantly, relying on our products, the cloud end and telecom partners can provide smooth communication between companies and teams in lockdown situations.

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 value for shareholders.

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

Chairman of the Board: Kuo, Fai-Long

President: Edgar Masri



## 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 Compass 1000 intelligent Internet series products, including remote network server (Compass Remote), multi-port Ethernet bridge (Compass Bridge) and remote network bridge (Compass Remote Bridge), entering the market of corporate network.
  - Earned the “Outstanding Logo in Taiwan” by EtherHub 1000 and Compass 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 8st, 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 child care 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](http://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 Broadband 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 Broadband 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 Broadband 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 Broadband 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 Broadband 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 Commission.
- 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 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-Chieh, 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.

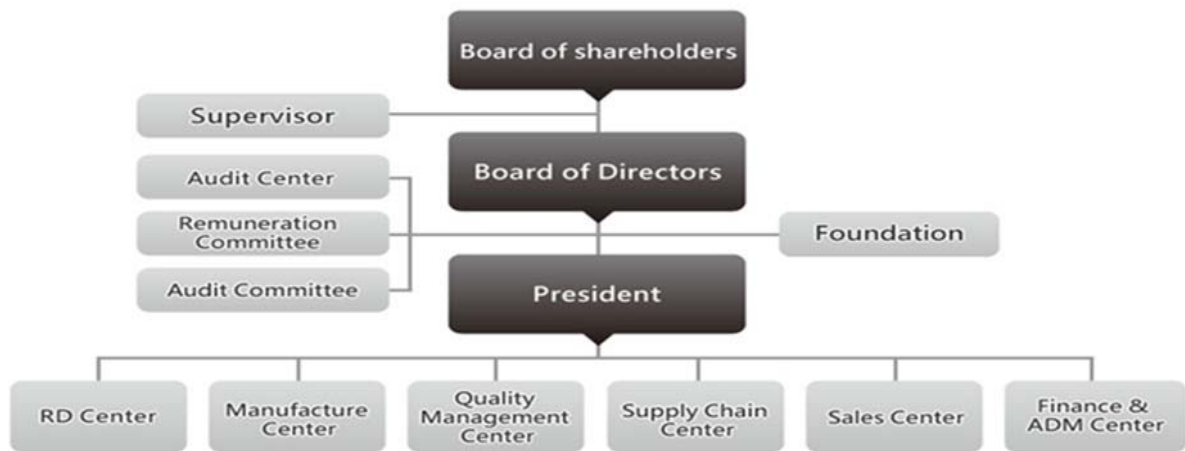
- In March, the Board of Directors approved that Mr. Lin, Hsin-Hsuan, took over the position of Spokesman, and Mr. Chen, Wen-Shan took over the position of Deputy Spokesman.
- In June, cash dividend was decided to be distributed at NT\$1.07515 per share during the Shareholders' Meeting.
- In June, the Board of Directors approved that Ms. Lin, Yu-His 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. Li, 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.
- The Board of Directors approved that Ms. Lin, Yu-His, the Chief Operating Officer, took over the position of Director of Strategy in August 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.
- At the Board Meeting of Accton held in November, 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.
  - In June, cash dividend was decided to be distributed at NT\$6.2 per share during the Shareholders' Meeting.
  - In August, Accton's board of directors approved the appointment of Mr. Li, Hsun-Te and Ms. Chiang, Ying-Hui as senior Vice Presidents.
  - In September, Mr. Wang, Ching-Te resigned as Vice President.
  - In December, Accton obtained the land rights to the industrial zone of the International AI Smart Park in Hsinchu County, planning to start operations within 3 years.
- 2021 — Accton Technology Corporation announced the financial data of 2020, the annual consolidated net profit after tax was NT\$5.048 billion, and the EPS reached NT\$9.07.

### 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 19, 2021																				
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			Remarks
							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	1.26	7,070,000	1.26	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	2,743,387	0.49	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	1.26	7,070,000	1.26	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 Corp. ATAN Networks Co., Ltd. Director of Accton Technology Corporation, E-Direct Corp.	—	—	—	—
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. MuXi Technology Co., Ltd. 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	—	—	—	—	—	—	—	—

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			Remarks
							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	
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.	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	CTBC Anti-Drug Educational Foundation Chief Executive; Independent Director of Accton Technology Corporation	—	—	—	—

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			Remarks
							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	
															Bureau Director of Money Laundering Prevention Division of Investigation Bureau					
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., BAKU Investment Co., Ltd.; KHL IB Venture Capital Co., Ltd., KHL Venture Capital Co., Ltd., Independent Director of Cathay Real Estate Co., Ltd. Accton Technology Corp.; Director of KHL II Venture Capital Co., Ltd., KHL V	—	—	—	—

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			Remarks
							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	
																Venture Capital Co., Ltd., KHL Financial Advisory Co., Ltd., Of Counsel of Lee and Li Attorneys-at-Law				
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 Tekcore Co., Ltd. ReaLy Development & Construction Corp. Accton Technology Corp.	—	—	—	—

Note 1: Ms. Lin, Meen-Ron, the Corporate representative of Director, has 219,000 shares under trust with discretion reserved.

Note 2: Director Mr. Huang, Kuo-Hsiu resigned as director on January 26, 2021.

Note 3: Independent director Mr. Liu, Chung-Laung passed away on November 7, 2020.

## Major Shareholders of the Corporate Shareholders

April 19, 2021

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 19, 2021

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.	45.00%
	Cheerway Holdings Ltd.	45.00%
	Du, Heng-Yi	7.00%
	Hsueh, Hsiu-Chen	1.67%
	Tu Wan Chuan Charity Foundation	0.33%
	Ting Sing Co., Ltd.	1.00%



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

April 19, 2021

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, Kollektive, SMC Networks, Inc.	—	—	—	—
President (Note 2)	R.O.C.	Lee, Chih-Chiang	Male	2011.07.08	180,080	0.03	0	0.00	—	—	Master, National Tsing Hua University	—	—	—	—	
Senior Vice President	R.O.C.	Yu, Ji-Hsiang	Male	2013.07.01	203,794	0.04	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.	Li, Hsun-Te	Male	2030.08.12	0	0.00	0	0.00	—	—	Bachelor of Industrial Management, Chung Hwa University	—	—	—	—	
Senior Vice President (Note 3)	R.O.C.	Chiang, Ying-Hui	Female	2030.08.12	4,000	0.00	0	0.00	—	—	Bachelor of Information Management, Minghsin University of Science and Technology	—				
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, and E-Direct Corp.	—	—	—	
Vice President	M.Y.	Liew, Hin-Soon	Male	2011.07.08	219,331	0.04	0	0.00	—	—	Electronic Engineering, National Taiwan University	—	—	—	—	
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	—	—	—	—	—
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Note 1: Mr. Edgar Masri served as 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. Li, Hsun-Te and Ms. Chiang, Ying-Hui assumed the positions of senior Vice Presidents on August 12, 2020.

Note 4: Ms. Lin, Meen-Ron, the corporate representative of Director and CFO, has 219,000 shares under trust with discretion reserved.

Note 5: Mr. Wang, Ching-Te resigned as Vice President on September 30, 2020.

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

Note 7: Mr. Michael Lane resigned as Vice President of New Technology R&D on August 26, 2020.

## Professional Qualifications and Independence of Directors

Name	Condition	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	11	12	
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
Chang, Chih-Ping		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chen, Shuh		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Lin, Shiou-Ling		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Chen, Wei-Zen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

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

any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)

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

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	—	—	—	—	45,000	45,000	870	870	0.91%	0.91%	16,301	16,301	324	324	28,800	—	28,800	—	1.81%	1.81%	None	
	Director	Kuan Xin Investment Corp. Representative : Lin, Meen-Ron																						
	Director	Huang, Kuo-Hsiu(Note 1)																						
	Director	Ting Sing Co., Ltd. Representative : Du, Heng-Yi																						
Independent Director	Independent Director	Liu, Chung-Laung(Note 2)																						
	Independent Director	Chang, Chih-Ping																						
	Independent Director	Chen, Shuh																						
	Independent Director	Lin, Shiou-Ling																						
	Independent Director	Chen, Wei-Zen																						

Note 1: Mr. Huang, Kuo-Hsiu resigned as director on January 26, 2021.

Note 2: Independent director Mr. Liu, Chiung-Laung passed away on November 7, 2020.

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 (summary and type of disclosure name)

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	17,480	42,524	1,533	1,533	7,625	8,078	44,200	—	50,468	—	1.40	2.03%	None
President (Note 2)	Lee,Chih-Chiang													
Senior Vice President of Research and Development	Yu, Ji-Hsiang													
Senior Vice President (Note 3)	Li, Hsun-Te													
Senior Vice President (Note 3)	Chiang, Ying-Hui													
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 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. Li, Hsun-Te and Ms. Chiang, Ying-Hui assumed the positions of senior Vice Presidents on August 12, 2020.

Note 4: Ms. Lin, Meen-Ron, the corporate representative of Director and CFO, has 219,000 shares under trust with discretion reserved.

Note 5: Mr. Wang, Ching-Te resigned as Vice President on September 30, 2020.

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

Note 7: Mr. Michael Lane resigned as Vice President of New Technology R&amp;D on August 26, 2020.

Table for Remuneration Ranges of Directors

Table for Remuneration Ranges of Each Director of Accton	Director's Name			
	Total Remuneration of A+B+C+D		Total Remuneration of A+B+C+D+E+F+G	
	Accton	All Companies Listed in Financial Statements (H)	Accton	All Companies Listed in Financial Statements (I)
Less than NT\$1,000,000				
NT\$1,000,000 (inclusive) To NT\$2,000,000 (exclusive)				
NT\$2,000,000 (inclusive) To NT\$3,500,000 (exclusive)				
NT\$3,500,000 (inclusive) To NT\$5,000,000 (exclusive)				
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	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	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	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	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
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)				
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)			General Director: Representative of Kuan Xin Investment Corp.: Kuo, Fai-Long Representative of Kuan Xin Investment Corp.: Lin, Meen-Ron	General Director: Representative of Kuan Xin Investment Corp.: Kuo, Fai-Long Representative of Kuan Xin Investment Corp.: Lin, Meen-Ron
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	9 persons	9 persons	9 persons	9 persons

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		
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)		
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)		
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	Li, Hsun-Te Chiang, Ying-Hui	Li, Hsun-Te Chiang, Ying-Hui
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	Edgar Masri Wang, Ching-Te Liew, Hin-Soon	Michael Lane Wang, Ching-Te Liew, Hin-Soon
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	Yu, Ji-Hsiang Lee, Chih-Chiang	Yu, Ji-Hsiang, Lee, Chih-Chiang Lee, Kuan-Ze
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	Lin, Meen-Ron	Edgar Masri Lin, Meen-Ron
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	8 persons	10 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
Chief Executive Officer (CEO) and General Manager (Note 1)	Edgar Masri				
President (Note 2)	Lee, Chih-Chiang				
Senior Vice President of Research and Development	Yu, Ji-Hsiang				
Senior Vice President (Note 3)	Li, Hsun-Te				
Senior Vice President (Note 3)	Chiang, Ying-Hui	-	50,468	50,468	1.00%
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 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. Li, Hsun-Te and Ms. Chiang, Ying-Hui assumed the positions of senior Vice Presidents on August 12, 2020.

Note 4: Mr. Wang, Ching-Te resigned as Vice President on September 30, 2020.

Note 5: Mr. Li, Kuan-Tse served as the Senior Vice President of R&D on February 24, 2020.

Note 6: Mr. Michael Lane resigned as Vice President of New Technology R&D on August 26, 2020.

(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 2020 to Net Income After Tax (%)		Ratio of Total Remuneration of 2019 to Net Income After Tax (%)	
	Accton	All Companies Listed in Financial Statements	Accton	All Companies Listed in Financial Statements
Director	1.81%	1.81%	1.45%	1.45%
President and Vice Presidents	1.40%	2.03%	0.73%	0.87%

Analysis of Changes in Percentage:

In 2020, the ratio of the total remuneration of Directors, President and Vice President of Accton to

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net profit after tax (%) increased compared with 2019, 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.

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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 employees' compensation and directors' compensation shall be submitted to the shareholders' meeting. In case of accumulated loss, the Company shall reserve a specific amount to make up for losses. The Company shall then distribute employees and directors compensation according to aforementioned ratios.
  - 2) President and Vice President: The remuneration to be paid by Accton to the President and Vice Presidents is composed of fixed salary and variable bonus. The remuneration committee shall refer to the usual remuneration levels of the same industry and take into account the invested time, the responsibilities undertaken, the attainment of personal goals and the performance of other positions. Based on the attainment of the company's short-term and long-term business objectives, the company's business performance, the relevance of future risks, etc., the compensation committee of the company shall review and report to the board of directors for decision.
  - 3) Future risks: The remuneration policy of the company aims to enhance long-term competitiveness and sustainable operation ability, improve the overall operation of the company in the future, and realize the ideal of giving full play to talents. The payment of remuneration is fully linked to performance. The remuneration system aims to promote the implementation of the operation strategy and the creation of long-term sustainable shareholder value by integrating various evaluation items. For example, the company's business performance, overall salary and individual performance are considered as a whole, and the difference is evaluated according to individual contribution, so as to implement the performance-oriented incentive system.

#### 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 7 meetings in 2020. The attendance status of the directors is as follows:

Job Title	Name	Number of Actual Attendance (B)	Number of Attendance in Proxy	Ratio of Actual Attendance (%) 【B/A】	Remarks
Chairman of the Board	Kuan Xin Investment Corp. Representative: Kuo, Fai-Long	7	0	100.00%	
Director	Kuan Xin Investment Corp. Representative: Lin, Meen-Ron	7	0	100.00%	
Director	Ting Sing Co., Ltd. Representative: Du, Heng-Yi	7	0	100.00%	
Director	Huang, Kuo-Hsiu	7	0	100.00%	
Independent director	Liu, Chung Laung	5	1	83.33%	Passed away on November 7, 2020
Independent director	Chang, Chih-Ping	7	0	100.00%	
Independent director	Chen, Shuh	7	0	100.00%	
Independent director	Lin, Shiou-Ling	7	0	100.00%	
Independent director	Chen, Wei-Zen	7	0	100.00%	

##### Other Required Disclosure

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

##### 1) Issues specified in Article 14-3 of Securities and Exchange Act

Board of Directors	Contents of Resolution	Issues specified in §14-3 of Securities and Exchange Act	Independent Director's Opinion	Company's Reaction towards Independent Director's Opinions	Voting Results
The 12th session of the 11th term on June 18, 2020	1. Provision of endorsements/guarantees for Accton Technology Co., Ltd., a wholly-owned subsidiary of Accton.	✓	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.

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

There was no recusal due to conflict of interests in 2020.

3. TWSE/TPEX listed companies shall disclose the information of self-evaluation (or peer evaluation) of the Board of Directors, such as evaluation cycle, period, scope, method and contents :

Frequency	Period	Scope	Method	Content
Once a year	2020.01.01 ~ 2020.12.31	Meeting of Board of Directors	Internal self-evaluation	<p>The five main criteria of performance evaluation of the Company's BOD:</p> <ol style="list-style-type: none"> <li>1.Degree of participation in the Company's operations.</li> <li>2.The Board's decision making quality.</li> <li>3.Composition and structure of the Board.</li> <li>4.Election and continuing education of the directors.</li> <li>5.Internal control.</li> </ol> <p>The measurement items for the performance evaluation of the Board Members include the following six aspects:</p> <ol style="list-style-type: none"> <li>1.Execution of the Company's goals and tasks.</li> <li>2.Understanding of the director's roles and responsibilities.</li> <li>3.Degree of participation in the Company's operations.</li> <li>4.Management and communication of the internal relations.</li> <li>5.Expertise and continuing education of the directors.</li> <li>6.Internal control.</li> </ol>
Once a year	2020.01.01 ~ 2020.12.31	Functional Committees	Internal self-evaluation	<p>The five main criteria of performance evaluation of the Company's functional committees:</p> <ol style="list-style-type: none"> <li>1.Participation of the Company's operation.</li> <li>2.Understanding of the Remuneration Committee's roles and responsibilities.</li> <li>3.Improvement in the Remuneration Committee's decision-making quality.</li> <li>4.Composition and member selection of the Remuneration Committee.</li> <li>5.Internal control.</li> </ol>

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

The board of directors of company adopted "Performance Evaluation Method for the Board of Directors and Functional Committee" on May 13 of 2020, completed the performance evaluation of the board of directors and the functional committee on March 18, 2021, and reported the performance evaluation result respectively to the audit committee, remuneration committee and the Board of directors. The comprehensive evaluation result for this performance evaluation is good. On the whole, the board of directors is operating well and will continue to improve according to the performance evaluation results of this board meeting to improve the effectiveness of corporate governance.

- V. Implementation by individual director of diversity policy for the members of the Board of Directors:

In accordance with Article 20 of the Code of Corporate Governance Practice, members of the Board shall generally possess the knowledge, skills and qualities necessary to perform their duties. The board of directors as a whole should possess the ability of operation judgment, accounting and financial analysis, operation and management, crisis management, industrial

knowledge, international market view, leadership and decision-making. Members of the Board of directors form the diversification policy, and through the rigorous selection process, the nomination process should be in accordance with the company's business development scale, and the practical operation needs. The company has seven directors (including four independent directors), who have the diverse background, abundant professional knowledge, experience and outstanding knowledge and have high moral standards of the industry of professionals. 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 implementation of the Board Diversity Policy is as follows:

Item of Diversity Director's Name	Gender	Law	Accounting and Finance	Marketing Technology	Management	Industrial Knowledge	Leader's Decision	Operational Judgment	Crisis Management	International Market View
General Director: Kuo, Fai-Long	Male			✓	✓	✓	✓	✓	✓	✓
General Director: Lin, Meen-Ron	Female		✓		✓	✓	✓	✓	✓	✓
General Director: Du, Heng-Yi	Male		✓	✓	✓		✓	✓	✓	✓
Independent Director: Chang, Chih-Ping	Male	✓					✓		✓	✓
Independent Director: Chen, Shu	Male		✓		✓		✓		✓	✓
Independent Director: Lin, Hsiu-Ling	Female	✓	✓			✓	✓		✓	✓
Independent Director: Chen, Wei-Zen	Male						✓		✓	✓

Note 1: The independent director Mr. Liu Jionglang passed away on November 7, 2020.

The number of independent directors decreased from 5 to 4, accounting for 57%.

The proportion of the two female directors is 29%.

Note 2: At present, three independent directors have served for three years, and one independent director has served for four to six years.

Note 3: Two directors are aged between 50 and 59, 3 directors are aged between 60 and 69, and 2 directors are aged over 70.

Note 4: The current Board of Directors consists of 7 directors (including 4 independent directors). All of them are outstanding individuals with rich professional and practical experience, and possess the ability of operation management, industry knowledge, leadership decision making, operation judgment, crisis management and international market view. The 4 independent directors respectively have expertise in legal, accounting and science and technology background. Among them, Chen Shuh, the independent director, served as the chairman of the Taiwan Stock Exchange Company, the chairman of the Financial Supervisory Commission and the standing secretary of the Finance Department. Chen Wei-Zen was the former Minister of Interior and Secretary General of the Executive Yuan. Lin Shiou-Ling is an independent legal lawyer; Chang Chih-ping, independent director, was formerly director of the money laundering prevention and control division of the Bureau of Investigation and director of the political and economic station of the Taipei City Investigation Division. Kuo, Fai-Long, Lin, Meen-Ron and Du, Heng-Yi have expertise in accounting, science and technology and industrial marketing respectively. The implementation of the policy of diversity of directors will help improve the effectiveness of corporate governance and operation management.



VI. Attendance of independent directors at each meeting of the Board of Directors in 2020:

Independent director	2020						
	Feb.24	Mar.19	Apr.10	May.13	Jun.18	Aug.12	Nov.11
Liu, Chung- Laung	Attended in person	Attended in person	Attended in person	Attended in person	Attended by Proxy	Attended in person	Retired
Chang, Chih-Ping	Attended in person	Attended in person	Attended in person	Attended in person	Attended in person	Attended in person	Attended in person
Chen, Shuh	Attended in person	Attended in person	Attended in person	Attended in person	Attended in person	Attended in person	Attended in person
Lin, Shiou-Ling	Attended in person	Attended in person	Attended in person	Attended in person	Attended in person	Attended in person	Attended in person
Chen, Wei-Zen	Attended in person	Attended in person	Attended in person	Attended in person	Attended in person	Attended in person	Attended in person

Note: The independent director Mr. Liu, Chung-Long passed away on November 7, 2020.

(2) Audit Committee

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 improving corporate governance efficiency. Its powers include : (1) Formulation of or amendment to internal control systems. (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 2020 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】	Remarks
Convener	Lin, Shiou-Ling	5	0	100.00%	
Member of Committee	Liu, Chung-Laung	3	1	75.00%	Passed away on November 7, 2020
Member of Committee	Chang, Chih-Ping	5	0	100.00%	
Member of Committee	Chen, Shuh	5	0	100.00%	
Member of Committee	Chen, Wei-Zen	4	1	80.00%	

## Other Required Disclosure

1. 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:

### 1) 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 9th meeting of the 1st term 2020.03.19	1. Reviewed the 2019 Statement of Internal Control System. 2. Approving the financial statements as of 2019.	✓	None	Unanimously approved by all the independent directors present.
The 10th meeting of the 1st term 2020.05.13	1. Approving the financial statements as of the 1st quarter of 2019.	✓	None	Unanimously approved by all the independent directors present.
The 11th session of the 1st term 2020.06.18	1. Provision of endorsements/guarantees for Accton Technology Co., Ltd., a wholly-owned subsidiary of Accton.	✓	None	Unanimously approved by all the independent directors present.
The 12th session of the 1st term 2020.08.12	1. Approving the financial statements as of the 2nd quarter of 2019.	✓	None	Unanimously approved by all the independent directors present.
The 13th session of the 1st term 2020.11.11	1. Approving the financial statements as of the 3rd quarter of 2019. 2. Approving the purchase of new equipments.	✓	None	Unanimously approved by all the independent directors present.

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

2. 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 due to conflict of interests in 2020.

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

- 1) The independent directors and the internal audit supervisors contact each other by E-mail, telephone or through meeting at any time as necessary, and make internal audit reports at quarterly audit committee meetings. In case of significant anomalies, meetings will be convened at any time, enabling a diverse and smooth communication channels. Each month, the internal audit supervisor of Accton delivers a summary report on the verifying deficiency and rectification tracking of the previous month to the Independent Directors for review. The Independent Directors will then respond or comment based on the content of the report. Communications between independent directors and the internal audit supervisors are summarized as follows:

Meeting Date	Issues communicated with internal audit supervisor	Recommendation from Independent Directors
2020.03.19	<ul style="list-style-type: none"> <li>Internal audit report of the 4th quarter of 2019.</li> <li>Discussion of "Statement about Internal Control System" of 2019.</li> </ul>	The audit committee reviewed or approved and the independent directors have no objection.
2020.05.13	<ul style="list-style-type: none"> <li>Internal audit report of the 1st quarter of 2020.</li> </ul>	The audit committee reviewed or approved and the independent directors have no objection.
2020.06.18	<ul style="list-style-type: none"> <li>Review on the implementation report of the internal audit.</li> </ul>	The audit committee reviewed or approved and the independent directors have no objection.
2020.08.12	<ul style="list-style-type: none"> <li>Internal audit report of the 2nd quarter of 2020.</li> </ul>	The audit committee reviewed or approved and the independent directors have no objection.
2020.11.11	<ul style="list-style-type: none"> <li>Internal audit report of the 3rd quarter of 2020.</li> <li>Discussion on the 2021 internal audit plan.</li> </ul>	The audit committee reviewed or approved and the independent directors have no objection.
2021.01.28	<ul style="list-style-type: none"> <li>Review on the implementation report of the internal audit.</li> </ul>	The audit committee reviewed or approved and the independent directors have no objection.
2021.03.18	<ul style="list-style-type: none"> <li>Internal audit operation status discussion (separate communication)</li> <li>Internal audit report of the 4th quarter of 2020</li> <li>Discussion of "Statement about Internal Control System" of 2020.</li> </ul>	<p>Execute according to the audit plan</p> <p>The audit committee reviewed or approved and the independent directors have no objection.</p>

2) 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. The communications between the independent directors and the accountants are shown in the following table:

Meeting Date	Communication with CPAs	Recommendation from Independent Directors
2020.03.19	<ul style="list-style-type: none"> <li>Discussion on the audit of the financial statements of 2019, including any audit issues or difficulties, and the response of the management</li> <li>Report on regulatory changes.</li> </ul>	Passed unanimously without special comments by all Independent Directors present.
2020.05.13	<ul style="list-style-type: none"> <li>Discussion on the audit of the financial statements for the 1st quarter of 2020, including any audit issues or difficulties, and the response of the management</li> </ul>	Passed unanimously without special comments by all Independent Directors present.
2020.08.12	<ul style="list-style-type: none"> <li>Discussion on the audit of the financial statements for the 2nd quarter of 2020, including any audit issues or difficulties, and the response of the management</li> </ul>	Passed unanimously without special comments by all Independent Directors present.
2020.11.11	<ul style="list-style-type: none"> <li>Discussion on the audit of the financial statements for the 3rd quarter of 2010, including any audit issues or difficulties, and the response of the management</li> </ul>	Passed unanimously without special comments by all Independent Directors present.
2021.03.18	<ul style="list-style-type: none"> <li>Discussion on the audit of the financial statements of 2020, including any audit issues or difficulties, and the response of the management (Individual communication)</li> <li>Regulation change report.</li> </ul>	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	
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	V		
(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
(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 (directors, supervisors, managers and 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 implements the PDCA cycle for the information security management system and includes the "Information Security Incident Reporting Procedures" into Accton's internal risk management system for regular reviews and evaluations. We also convene meetings of the "Information Security Promotion Committee" regularly each year to review the Information Security Policy with the aim of blocking potential	No discrepancy

Items of Evaluation	Implementation		Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
		<p>information security threats, improving information security protection standards, reducing information security risks, and maintaining our commitment to providing high-quality services.</p> <p>Network security: We purchased system scan and vulnerability analysis software in the current year and executed website vulnerability scans or penetration tests to cope with risks in the network environment and prevent damage or abuse of resources. We replaced firewall equipment for all external offices and implemented material upgrades for firewall equipment and terminal protection software at the headquarters to strengthen corporate network protection and security.</p>	
(4) Does the Company formulate internal regulations to prohibit internal personnel from using the information undisclosed in market to buy and sell securities?	V	<p>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.</p> <p>For staff ethics training, new employees are required to take the course. The content of the courses includes prohibition of insider trading, ethical corporate management and corporate social responsibility, and the company code is explained and promoted with case studies. In 2020, a total of 715 employees participated in the training courses, and teaching material hours are 0.5 hours, 357.5 hours in total, with a completion rate of 100%. In addition, the authority and responsibility unit announced the case on the company's home page from time to time to remind all colleagues to comply with the norms.</p>	No discrepancy
II. Composition and Responsibilities of the Board of Directors			
(I) Does the Board of Directors formulate and implement diversified policies for its members?	V	<p>Section 20 of the Code of Corporate Governance Practice sets out the diversity approach for board members, including basic qualifications and values (gender, age, international status and cultural), professional knowledge and skills. Directors are nominated through the rigorous selection process that takes into account diverse backgrounds, professional competence and experience, as well as ethical conduct. The</p>	No discrepancy

Items of Evaluation	Implementation		Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
		<p>current Board of Directors consists of 7 directors (including 4 independent directors). All of them are outstanding individuals with rich professional and practical experience, and possess the ability of operation management, industry knowledge, leadership decision making, operation judgment, crisis management and international market view. The 4 independent directors have legal, accounting and scientific and technological background expertise respectively. Among them, Chen, Shu, the independent director, served as the chairman of the Taiwan Stock Exchange Company, the chairman of the Financial Supervisory Commission and the standing secretary of the Finance Department. Chen, Wei-Zen was the former Minister of Interior and Secretary General of the Executive Yuan. Lin, Shiou-Ling is a lawyer and independent director; Chang, Chih-Ping, independent director, was formerly director of the money laundering prevention and control division of the Bureau of Investigation and director of the political and economic station of the Taipei City Investigation Division. Kuo, Fai-Long, Lin, Meen-Ron and Du, Heng-Yi have expertise in accounting, science and technology and industrial marketing respectively. The implementation of the policy of diversity of directors will help improve the effectiveness of corporate governance and operation management. Among them, there are two female directors, and the number of independent directors is four, which accounts for more than half of the total number of directors.</p>	
(2) Does the Company agree to set other functional committees in addition to Remuneration Commission and Audit Committee?	V	Accton’s Remuneration Commission 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
(3) Does the company establish standards and methods to evaluate the performance of the Board of Directors, conduct the evaluation annually and	V	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	No discrepancy

Items of Evaluation	Implementation		Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
regularly, report the results of evaluations to the Board of Directors, and use them as a reference for individual directors' remuneration and nomination and renewal?			
		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, on May 13, 2020, the board of directors of the company formulated performance evaluation procedures and performance review practise for the Board of Directors to implement corporate governance and enhance the function of the board of directors. The performance evaluation results of the overall board of directors, the functional committee, and the members of the board of directors for the year of 2020 were all "excellent". Overall, the board of directors operated well, and will continue to strengthen the performance evaluation results of this board meeting to improve the effectiveness of corporate governance. The results and recommendations of the internal board performance review for the year of 2020 were reported to the board of directors on March 18, 2021, and were used as reference for individual directors' compensation and nomination for renewal.	
(4) Does the Company regularly implement assessments on the independence of CPAs?	V	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 18, 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.	No discrepancy

Items of Evaluation	Implementation		Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons												
	Yes	No													
IV. Does the company appoint adequate persons and a chief governance officer to be in charge of corporate governance matters (including but not limited to providing directors and supervisors required information for business execution, assisting directors and supervisors in following laws and regulations, handling matters in relation to the Board meetings and shareholders' meetings and keeping minutes at the Board meetings and shareholders' meetings according to law)?	V	<p>The financial center of the company is responsible for handling corporate governance related affairs. The business execution focus of the year 2020 is as follows:</p> <table><tr><th>Main Responsibilities</th><th>Implementation</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>Providing information and the latest regulations required for Directors to fulfill their duties in accordance with laws and regulations.</td><td>Two training courses were held for Directors this year, and they had obtained certificates accordingly.</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>	Main Responsibilities	Implementation	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.	Meetings were held in according with laws and regulations.	Making minutes of meetings of Board of Directors and Shareholders.	Minutes were made in accordance with laws and regulations.	Providing information and the latest regulations required for Directors to fulfill their duties in accordance with laws and regulations.	Two training courses were held for Directors this year, and they had obtained certificates accordingly.	Review the compliance with corporate governance every year.	Propose improvement plans and countermeasures for standards that are yet to be reached .	Making amendments to other measures.	Executed.	No discrepancy
Main Responsibilities	Implementation														
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.	Meetings were held in according with laws and regulations.														
Making minutes of meetings of Board of Directors and Shareholders.	Minutes were made in accordance with laws and regulations.														
Providing information and the latest regulations required for Directors to fulfill their duties in accordance with laws and regulations.	Two training courses were held for Directors this year, and they had obtained certificates accordingly.														
Review the compliance with corporate governance every year.	Propose improvement plans and countermeasures for standards that are yet to be reached .														
Making amendments to other measures.	Executed.														
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	<p>Accton respects and protects the legitimate rights and interests of stakeholders. Accton's website (www.accton.com) has contact information for stakeholders (employees/competent uthorities/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.</p> <p>Accton has established employee communication channels, which enables employees</p>	No discrepancy												



Items of Evaluation	Implementation		Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
		to give opinions by email or writing.	
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 ( <a href="http://www.accton.com">http://www.accton.com</a> ). 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 ( <a href="http://www.accton.com">www.accton.com</a> ) 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
(3) Does Accton 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 its operating status for each month before the specified deadline.	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.	In planning
VIII. Does the Company have other	V	(1) Employee’s rights and employee care:	No

Items of Evaluation	Implementation		Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
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)?		<p>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.</p> <p>(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.</p> <p>(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.</p> <p>(4) Interested Party's Rights: Interested parties must communicate with and make suggestions to Accton to protect their legitimate rights and interests.</p> <p>(5) Director Training All directors of the Company have relevant professional knowledge. In addition, the Company arranges directors to participate in corporate governance related courses from time to time every year, which has been disclosed in the "Open Information Observatory" (please refer to the following table).</p> <p>(6) Implementation of Risk Management Policies and Risk Measurement Standards Relevant measures for important management indicators have been established and implemented by Accton.</p>	discrepancy



Items of Evaluation	Implementation		Summary	Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No		
			<p>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. 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. On August 12, 2020, the board of directors approved Li, Hsun-Te, associate manager of sales center, and Chiang, Ying-Hui, associate manager of business center, after long-term training of the company, was promoted to senior vice President.</p>	

The 7th Corporate Governance Evaluation Indicator has improved the project		
No.	Indicator Item	Improvement Method
1.15	Has the company established and disclosed on its website internal rules and practices that prohibit insiders such as directors or employees from profiting from information that is not available in the market?	It was disclosed in 2020.
3.12	Has the Company disclosed the dividend policies in a clear and concise manner in the Company's annual report ?	The explicit disclosure of the dividend policy was made in 2020.
4.16	Has the Company established and disclosed a reporting system for the internal and external employees of the Company to report illegal (including corruption) and unethical acts?	It was disclosed in 2020.
Improvements that are yet to be made and shall be prioritized in the 7th annual corporate governance standard		
No.	Indicator Item	Improvement Method

Items of Evaluation	Implementation		Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
2.2	Whether the company has a diversity policy on the board of directors and discloses the specific management objectives and implementation of the diversity policy on the company's website and annual report		Has strengthened the disclosure of board diversity in 2021 and on the company website and annual report.
2.15	Has Accton disclosed the communication of Independent Directors, internal audit supervisors and CPAs on the company website?		Internal audit directors and accountants will be strengthened to communicate with independent directors separately in 2021.

X. The Company's Director Training Situation in the Year of 2020:

Job Title	Name	Date of Education	Organized by	Name of Course	Hours of Education
Chairman of the Board	Kuo, Fai-Long	2020.08.12 2020.11.11	Legal body of financial group of China Zhongdao Leadership Culture Association	Deepen corporate governance and corporate social responsibility culture Enterprise succession inheritance and talent cultivation	3 hours 3 hours
Director	Huang, Kuo-Hsiu	2020.08.12 2020.11.11	Legal body of financial group of China Zhongdao Leadership Culture Association	Deepen corporate governance and corporate social responsibility culture Enterprise succession inheritance and talent cultivation	3 hours 3 hours
Director	Lin, Meen-Ron	2020.08.12 2020.11.11	Legal body of financial group of China Zhongdao Leadership Culture Association	Deepen corporate governance and corporate social responsibility culture Enterprise succession inheritance and talent cultivation	3 hours 3 hours
Director	Du, Heng-Yi	2020.03.25 2020.06.23	Taiwan Academy of Banking and Finance (TABF) Taiwan Academy of Banking and Finance (TABF)	Corporate Governance Seminar (Session 56) Corporate Governance Seminar (Session 63)	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	Liu, Chung-Lang (Note)	2020.08.12	Corporate Legal Person of China Zhongdao Leadership Culture Association	Deepen corporate governance and corporate social responsibility culture	3 hours
Independent director	Chang, Chih-Ping	2020.08.12 2020.11.11	Legal body of financial group of China Zhongdao Leadership Culture Association	Deepen corporate governance and corporate social responsibility culture Enterprise succession inheritance and talent cultivation	3 hours 3 hours
Independent director	Chen, Shuh	2020.11.11 2020.11.20	Corporate Legal Person China of China Zhongdao Leadership Culture Association, Corporate Legal Person China Corporate Governance Association	Enterprise succession inheritance and talent cultivation Corporate Integrity and International Anti-Bribery and Detractors Protection Practice	3 hours 3 hours
Independent director	Lin, Shiou-Ling	2020.08.12 2020.11.11	Legal body of financial group of China Zhongdao Leadership Culture Association	Deepen corporate governance and corporate social responsibility culture Enterprise succession inheritance and talent cultivation	3 hours 3 hours
Independent director	Chen, Wei-Zen	2020.08.12 2020.11.11	Legal body of financial group of China Zhongdao Leadership Culture Association	Deepen corporate governance and corporate social responsibility culture Enterprise succession inheritance and talent cultivation	3 hours 3 hours

Note: The independent director Mr. Liu, Chung-Long passed away on November 7, 2020.

XI. The Company's managers (President, Vice President, directors of accounting, finance and internal audit) participate in the development and training related to corporate governance:  
The following is the situation of further study and training of 2020.

Items of Evaluation		Implementation			Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
		Yes	No	Summary	
Job Title	Name	Date of Education	Organized by	Name of Course	Hours of Education
Accounting Manager	Lin, Meen-Ron	2020.08.13	Accounting Research and Development Foundation	IFRS 16 "Leasing" Explanation Template Analysis	3 hours
		2020.08.13	Accounting Research and Development Foundation	Competent authorities require the establishment of the "Corporate governance director/personnel" practice analysis	3 hours
		2020.08.14	Accounting Research and Development Foundation	Legal liability and case analysis of "Economic espionage crime" and "Trade secret law"	3 hours
		2020.08.14	Accounting Research and Development Foundation	Practice of corporate governance: The discussion on employee reward strategy and tool application	3 hours
Audit Supervisor	Huang, Kuo-Ning	2020.08.28	Internal Audit Committee	How to prevent and control major financial fraud cases (short selling, insider trading, profit transfer, share price manipulation, unconventional trading, false financial statements, etc.)	6 hours
		2020.10.23	Computer Audit Association	Security Incident Response Mechanism and Key Audit Matters	6 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.

1. Responsibilities of the Company'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.
2. The remuneration committee shall perform its functions and powers according to the following criteria:
- 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) Directors and managers should not be guided to overstep the company's appetite for risk in pursuit of compensation.
  - 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, 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	9	10		
Independent director	Chang, Chih-Ping		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None
Independent director	Liu, Chung Laung	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Note 3
Independent director	Lin, Shiou-Ling		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None
Independent director	Chen, Wei-Zen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Note 4

Note 1: For the title, please fill in director, independent director, or others.

Note 2: Please check “✓” the corresponding boxes if the members meet the following conditions during the two years prior to the nomination and during the term of office.✓

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

any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)

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

Note 3: Liu, Chung-Laung passed way on November 7, 2020.

Note 4: Chen, Wei-Zen was appointed by the Board at the by-election on 28 January 2021.

## (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 Compensation Committee has held four meetings (A) in the last year. 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	4	0	100%	
Member of Committee	Liu, Chung Laung	4	0	100%	Passed away on November 7, 2020
Member of Committee	Lin, Shiou-Ling	3	0	75%	

## Other Required Disclosure

- I. Date of the last year's meeting of the Compensation Committee, content of the proposals, results of the resolutions, and the Company's handling of the opinions of the Compensation Committee:

Remuneration Committee	Contents of Resolution	Voting Results	Accton's response to the opinions of the Remuneration Committee
The 4th session The 5th 2020.01.22	●Accton's New Manager Remuneration Resolution.	Adopted with the approval of all members of the Committee	It shall be submitted to the board of directors and approved by all the directors present.
The 4th session The 6th 2020.02.24	●The Responsibilities of Accton's New Manager Resolution.	Adopted with the approval of all members of the Committee	It shall be submitted to the board of directors and approved by all the directors present.
The 4th session The 7th 2020.03.12	●The Distribution of the 2019 Employees and Directors Remuneration Resolution.	Adopted with the approval of all members of the Committee	It shall be submitted to the board of directors and approved by all the directors present.
The 4th session The 8th 2020.08.12	●Accton's New Manager Remuneration Resolution.	Adopted with the approval of all members of the Committee	It shall be submitted to the board of directors and approved by all the directors present.
The 4th session The 9th 2021.03.11	●The proposal for the distribution of remuneration for employees and directors of 2020.	Adopted with the approval of all members of the Committee	It shall be submitted to the board of directors and approved 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.

(V) Corporate Social Responsibility

Items of Evaluation	Implementation		Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	
1. Has Accton 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?	V	<p>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.</p> <p>Information Security Policies</p> <ol style="list-style-type: none"> <li>1. Appropriate information security management organization has been established to maintain the normal operation of information security management system.</li> <li>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.</li> <li>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.</li> <li>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.</li> <li>5. Continuous management mechanism shall be formulated and regular test and training shall be conducted to maintain its applicability.</li> <li>6. The measures taken by Accton Group in respect of information security shall comply with</li> </ol>	No discrepancy

Items of Evaluation	Implementation		Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	
		<p>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.</p> <p>Information Security Targets</p> <ol style="list-style-type: none"> <li>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.</li> <li>2. Customer information shall be protected and kept to prevent intentional improper and unlawful use.</li> <li>3. Continuity and timeliness of rendering services shall be ensured.</li> <li>4. Accuracy and completeness of the information provided shall be ensured.</li> <li>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.</li> </ol> <p>Specific measures:</p> <p>Accton Technology Corporation passed the international standard certification of CNS 27001:2014 (ISO/IEC 27001:2013) in 2016, and completed the re-inspection of information security certification every year and re-passed the verification in 2020, reaching the information security management process in line with international information security standards.</p> <p>Enhance the reliability of information equipment and network systems</p> <ul style="list-style-type: none"> <li>● Equipment hardware: We implemented power supply improvement plans for the information server room in the current year. We replaced the modular uninterruptible power supply</li> </ul>	

Items of Evaluation	Implementation		Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	
		<p>Summary</p> <p>system and strengthened the stability of power supply for the server room so that the servers can continue operations and that services are not interrupted due to external power outages.</p> <ul style="list-style-type: none"> <li>● Network security: We purchased system scan and vulnerability analysis software in the current year and executed website vulnerability scans or penetration tests to cope with risks in the network environment and prevent damage or abuse of resources. We replaced firewall equipment for all external offices and implemented material upgrades for firewall equipment and terminal protection software at the headquarters to strengthen corporate network protection and security.</li> </ul> <p>Accton implements the PDCA cycle for the information security management system and included the "Information Security Incident Reporting Procedures" into Accton's internal risk management system for regular reviews and evaluations. We also convene meetings of the "Information Security Promotion Committee" regularly each year to review the Information Security Policy with the aim of blocking potential information security threats, improving information security protection standards, reducing information security risks, and maintaining our commitment to providing high-quality services.</p> <p>Employee information security training courses are implemented to enhance Accton employees' awareness of information security and protection of trade secrets. All new employees are provided with information security training on a regular basis while current employees are required to take information security tests and information security courses each year. In addition, we invited information security consultants to provide lectures to employees in the current year and use education of real cases and information security news to enhance employees' information security awareness. They help employees understand that</p>	

Items of Evaluation	Implementation		Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	
		<p>information security must be implemented in work and daily lives and that it is an indispensable part of the Company's operations.</p> <p>EHS Risk</p> <p>The company has put in place "Environmental planning procedure" to collect stakeholder information and identify EHS risks and opportunities.</p> <p>1. In terms of laws and regulations, GHG Check declaration is not required in accordance with the law, but the company, adhering to the vision of sustainable operation, completed external GHG verification in 2020. Specific measures are as follows:</p> <p>(1) Outsourcing guidance for the establishment of ISO14064-1:2018 greenhouse gas checking management system.</p> <p>(2) Developing the greenhouse gas check policy.</p> <p>(3) Declaration of completion of external GHG verification in the year 2020 and obtaining reasonable assurance level of GHG checking.</p> <p>2. 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.</p>	
II. Has Accton set up full-time (part-time) units to promote corporate social responsibility, which is handled by senior management appointed by	V	<p>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 &amp; Educational Foundation and Accton Art Foundation, which are committed to promoting charity activities with an aim to contribute to</p>	No discrepancy

Items of Evaluation	Implementation		Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	
the Board of Directors, which is reported to the Board of Directors?		the society. Its operation and efficiency are reported to the Board of Directors regularly on a yearly basis. The implementation of the foundation in 2020 has been reported at the Board meeting date November 11, 2020. By the end of 2020, Accton Public Welfare Center has a total of 282 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 2020, the total amount of donations to all public welfare organizations in Taiwan will be 31.21 million yuan through the website of Accton Public Welfare Museum; The implementation of Accton Culture and Education Foundation and Accton Art Foundation and their specific results will be reviewed in detail after the CSR Report of 2020 is issued.	
3. Environmental IssuesHas the Company set an environmental management system designed to industry characteristics?	V	According to the characteristics of the industry, Accton adopts the international ISO 14001 environmental management system. Adher to the business philosophy of respecting life, and deeply recognizes the importance of the limited and sustainable development of the earth's resources, the company implements the ISO14001 environmental management system, and completed the environmental management system ISO14001 in June 2017: 2015 revision verification [latest certificate valid on July 20, 2020 to July 10, 2022], and integrated into the internal management system and production activities, including the process, product and environment of the interrelationship.	No discrepancy
(II) Is Accton committed to	V	Accton reduces the use of raw and packaging materials as well as related substances through	No



Items of Evaluation	Implementation		Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	
improving the efficiency of utilizing various resources and using recycled materials with low impacts on the environment?		<p>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&amp;D team and applies innovative thinking to develop more environmentally friendly green products.</p> <p>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. 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.</p>	discrepancy
(III) Has Accton assessed the potential risks and opportunities arising from climate change at present and in the future and taken related countermeasures?	V	<p>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</p>	No discrepancy

Items of Evaluation	Implementation		Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	
		Summary	
		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.	
(IV) Does Accton 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?	V	<p>1. Accton has established “Environmental Planning Procedures” to collect interested party’s information and identify risks and opportunities for environmental safety.</p> <p>In terms of laws and regulations: it is not required to apply for GHG checking declaration according to law, but the company, adhering to the vision of sustainable operation, is first inspected by the Bureau Veritas verification institution in 2020. In May 2020, the company completes the inspection and certification of the 2019 Organizable GHG checking management system ISO 14064-1:2018, and obtains the verification statement.</p> <p>At present, the main production sites are commissioned by the British Standards Institute (BSI) ISO 14064-1:2018 greenhouse gas certification; According to the results of the survey, the total emissions from Plant 1 / Zhonan in Category A are about 299.1594 tonnes of CO2e and that in Category B are about 6005.4043 tonnes of CO2e in 2019. The total water consumption is 57.02 thousand tons; The total amount of waste was 814.293 metric tons, and the total amount of waste recovered and reused was 696.591 metric tons, with a recycling efficiency of 85.5%.</p> <p>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.</p>	No discrepancy

Items of Evaluation	Implementation		Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	
		Summary	
		<p>2. The target of greenhouse gas reduction: reduce 1% per year</p> <p>Global climate has changed significantly under the influence of the greenhouse effect, natural disasters such as floods, droughts, storms and blizzards are 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:</p> <ul style="list-style-type: none"> <li>✓ Fully utilize electronic signing and approving procedures to reduce paper usage.</li> <li>✓ Strictly manage the demands for power, as well as the lighting and air conditioning in idle areas.</li> <li>✓ 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.</li> <li>✓ The ventilation and ventilation system of the basement is equipped with frequency converter and set timing control.</li> <li>✓ Change air conditioning and air pressure systems into variable frequency controlled ones.</li> <li>✓ Plan for and change the LED lighting systems in different areas.</li> <li>✓ Update the air conditioning equipment with high energy consumption in different areas to increase energy efficiency and reduce loss.</li> <li>✓ Replace old power systems and wiring to reduce energy consumption.</li> </ul> <p>3. Treasure electric energy and water resources</p> <p>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</p>	

Items of Evaluation	Implementation		Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	
		energy-saving management. The source of water resources is tap water, which accounts for 50% of people's livelihood water and 50% of air conditioning water. The people's livelihood water part continues to replace the water-saving induction faucet to reduce the people's livelihood 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.	
4. Social Issues			
(I) Does the Company formulate relevant management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V	<p>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.</p> <p>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 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.</p> <p>Accton has formulated [Social Responsibility Manual] by referring to responsible business alliance (RBA). The purpose of the RBA is to ensure safe working environment for the supply chain of the electronics and network communications industries as well as take environmental</p>	No discrepancy



Items of Evaluation	Implementation		Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	
		Summary	
		so as to continue to create smooth communication channel for employees. For foreign employees, we also have bilingual professionals responsible for daily coordination and communication, and create the culture of communication without obstruction.	
(III) Does the Company provide a safe and healthy working environment for employees, and offer safety and health education for employees regularly?	V	<ol style="list-style-type: none"> <li>1. The company actively create the healthy and safe working environment, set up the dedicated safety and health management personnel. In addition to formulating safety and health work code, he also takes the initiative to carry out occupational safety and health risk evaluation and control, so as to grasp the impact of each change on safety and health.</li> <li>2. Conduct annual internal audit and third party verification of ISO 45001 occupational safety and health management system to review system operation and continuous improvement.</li> <li>3. Organized safety and health education and chemical hazard general courses for new and active workers every year. A total of 2,584 participants participated in occupational disease prevention and safety awareness training. In addition, it regularly conducts fire fighting, civil defense training, emergency escape drill and other related training to enhance staff's fire knowledge and emergency response ability. In 2020, 3,722 colleagues participated in the 75 courses of training.</li> <li>4. Regularly sent colleagues to other places to receive professional training and certificates, such as occupational safety and health management, fire response, radiation protection, fire prevention management, organic solvent operation, stacker operation and environmental waste disposal and other related courses. A total of 110 colleagues obtained certificates in 2020.</li> <li>5. The company has a health management office dedicated to staff health management, and planning health promotion and health talks and other related activities. It also provides</li> </ol>	No discrepancy

Items of Evaluation	Implementation		Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies		
	Yes	No			
	Summary				
		comprehensive care and care to staff. Based on the results of sick leave care and annual health check classification, it proactively finds out the needs of staff, and referrals different protection plans according to individual circumstances. For example, the Maternal Protection and Exceptionally Overloaded and Middle-Aged Protection Program ensures that employees can perform their work in a safe and healthy environment. In 2020, it won the National Award for Excellent Performance in Workplace - Health Care. 6. In the first half of 2020, due to the COVID-19 epidemic, education and training were suspended. In the second half of 2020, there were 6 health education and training sessions for new employees, with 216 participants in total.			
(IV) Has Accton 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. The training in other places and training subsidies will be provided according to job requirements (the maximum subsidy ratio: 100%). In order to strengthen the language competitiveness, provide each employee with the fixed amount of foreign language training subsidy every year. In 2020, the company conducted 45,030 hours of education and training on related topics.	No discrepancy		
		<table><tr><td>Learning areas</td><td>Summary</td></tr></table>	Learning areas	Summary	
Learning areas	Summary				

Items of Evaluation	Implementation		Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	
	Orientation training	The courses include company introduction, corporate culture, rules and regulations, corporate social responsibility, honest management, anti-corruption, quality systems, etc., to help newcomers understand the company and adapt to the environment.	
	Work efficiency	Including business presentation design, communication, information security, word processing, internal trainer training to improve the performance of colleagues.	
	Professional knowledge and skills	Domain Know-How, Advanced Manufacturing Process, Systematic Professional Knowledge, etc.	
	Quality management	Includes common quality courses, such as ESD, problem analysis and solution, and project-based ISO courses to ensure compliance with procedures, improve product yield, and meet customer requirements.	
	Environmental safety and occupational health	According to the requirements of laws and regulations, we carry out pre-job safety and health training and hazard general education training for new employees, and provide different training courses for employees in general and special work.	
	Leadership and management	According to the roles and responsibilities of supervisors, plan the training courses required for supervisors, corresponding to the management skills required at all levels. The courses are divided into rules and regulations, self-management, team management and career management.	



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	Yes	No	
(5) Has Accton 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 discrepancy 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
(6) Has Accton 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	In order to ensure that the supply chain of materials used by the company conforms to RoHS, REACH and other relevant international requirements, the company will start to conduct supplier material survey during the research and development stage. In 2020, 200 manufacturers responded to reports related to hazardous substances, and a total of 240 BOM were investigated. In addition, the company will regularly implement the IECQ QC080000 system certification, and has been completed in December 2020 and successfully passed the IECQ QC080000 system annual certification. In CSR corporate social responsibility, the company completed smoothly in February 2020 the RBA VAP certification and silver grade data, certification process for supplier management department, according to the RBA requires the company to classify the supplier management, in addition to the materials provided by suppliers, an additional manpower agencies, recruiters, environmental protection manufacturers, canteen contractor, Cleaning outsourcing vendors,	No discrepancy

Items of Evaluation	Implementation		Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	
		<p>security companies and other suppliers are also included in RBA management. This classification is revised into Supplier RBA Audit (WIC-SC02006) and listed as standard operating specification.</p> <p>None of the vendors of Accton has violated the following material regulations in 2020: Labor (1.1) Free Chosen Employment, Labor (2.1) Child Labor Avoidance, Health &amp; Safety (2.1) Emergency Preparedness, whether the plant has proper fire detection and fire extinguisher; Health &amp; 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.</p>	
V. Does Accton 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	<p>In order to strengthen the compliance between this report and GRI Sustainability Reporting Criteria 2018 and to enhance the transparency and credibility of this report in social responsibility information, An independent third party organization, SGS Taiwan Inspection Technology Co., Ltd. (SGS Taiwan), was appointed to carry out relevant verification on the CSR Report 2020 of the company in accordance with AA1000 accountability principle standard.</p>	No discrepancy

Items of Evaluation	Implementation		Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	
Summary			
VI. If Accton 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). Make use of Accton Technology Corporation expertise in network communication to Help all social welfare groups in Taiwan to raise funds online and publicize activities, and call on netizens to make contributions to Help emergency cases in Taiwan with the idea of "Direct Help-Direct Donation". 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.			
<b><u>Accton E-Charity</u></b> <b>Assisting all public welfare organizations in Taiwan</b> Accton public library is not only an online donation platform, is also a platform for the communication of public resources, to provide social welfare groups, through the network transmission, spreading all kinds of social demand and service information, positive and effective to seek social charity resources, so as to invite the enterprises and the public, rich pay, powerful output, mutual help every corner of the socially disadvantaged groups. By the end of 2020, All public welfare organizations in Taiwan has a total of 282 members of public welfare organizations and 300,000 individual members. Public welfare organizations can release information in real time through the website, making the platform a good place for collecting public			

Items of Evaluation	Implementation		Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	
		Summary	

welfare information. Through the website, we can raise money online, so that public welfare groups can be empowered to help more vulnerable people. Through the website, you can also collect the necessary materials and manpower. In order to free public welfare organizations from the burden of using the platform, Accton has absorbed all the operating costs of the website, hoping to exert the power of public welfare to the maximum. In 2020, the total amount of donations to all public welfare organizations in Taiwan through the website of Accton Public Welfare Pavilion will be NT\$31.21 million .

### **Taiwan Public Welfare Service Association**

Taiwan public service association always adheres to the belief of "where there is a need, go where there is a need". After actual visits and confirmation of the needs, the association hopes to make up for the insufficient resources of disadvantaged families, social welfare groups or rural schools in the shortest time. In 2020, the Taiwan Public Welfare Service Association will donate NT\$ 7,231,632 in total, covering emergency relief for vulnerable families and assistance for public welfare projects.

### **Help for Vulnerable Families**

In 2020, Accton Public Welfare Center ([www.17885.com.tw](http://www.17885.com.tw)) has helped a total of 201 families in distress, with a total assistance amount of NT\$2,276,000 . Since its establishment in 2001, it has helped 1,760 families with a total amount of NT\$109,940,020. Accton Technology Corporation not only provides a social assistance platform for people to donate directly online, but also provides a convenient platform for reporting emergencies. If you find that your friends and relatives are in trouble, or you are in need of help, you can seek help through the platform. Since its establishment, the company has gathered the loving strength from the public, and has helped more than 1,700 families to go through the dark valley of life, so that they can see hope in the face of the future, and have the opportunity to regain their bright smile in the future! For vulnerable families in the society, Accton Public Welfare Center mainly provides the following assistance:

(I) Living allowance: family in distress due to the main economical supporter of the family suffering emergency disasters, major diseases, or major natural disasters.

(II) Medical allowance: The person suffering serious injury or illness, the medical expenses required cannot affordable by him/her or his/her

Items of Evaluation	Implementation		Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	
	Summary		

dependents, and the additional medical expenses are not covered by the health insurance bureau or the labor insurance bureau.

(III) Funeral allowance: disadvantaged families who suffer from misfortune and are unable to afford funeral expenses.

(IV) 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.

### Public welfare project assistance

(I) Physical and mental disorders care care

In 2020, in order to help people with severe dementia and physical and mental disabilities get more appropriate and good care and care, Taiwan Public Welfare Service Association will donate 11 electric hospital beds to Ningyuan Nursing Home, with a total cost of NT\$ 350,000. It is expected to reduce the burden and pressure on the families and hospitals of the disabled from the medical and life care, so that the residents in the nursing homes can enjoy comfortable care and support.

(II) Village social welfare materials donation

In order to improve the educational resources of Village, the Taiwan Public Service Association will donate the second-hand vehicle to the Xiangguang Association of Taiwan in 2020 to assist them in carrying materials to the Xiangguang. It will also donate a batch of new hot clothes and hand-made quilts to Qingquan, Zhudong and XinMalan, Taitung, which are served by Xiangguang. In addition, donated the related living materials to Pingtung Canaan Care Center to relieve the heavy burden of the unit's related care expenses. Donate the immediate livelihood materials needed by Pingtung Victory House, so that people with physical and mental disabilities can receive more appropriate services and proper care, as well as relieve the pressure of long-term care for their families; Donated white rice and living materials to Pingtung Xuhai Primary School, so that rural children can avoid hunger and focus on learning. We hope that through these efforts, more and more people will care about and support these social welfare organizations which are in great need of our care!

(III) Winter warm care activities

At the end of 2020, Taiwan Public Welfare Service Association will assist social welfare groups in the Spring Festival stove and dish activities,

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	Yes	No	
		Summary	
		<p>donating to Dr. Chen Wencheng Memorial Foundation, organizing the human rights desk, and assisting the Yunlin County Welfare and Protection Association for the Elderly to deliver warm Chinese New Year dishes to the homes of the elderly living alone, as well as organizing the Rizhao Center stove activities for the elderly, with a total donation of NT\$200,000 . Through the care of the Chinese New Year, we help the disadvantaged elderly and the political victims to enjoy the warmth and reunion of the society during the Lunar New Year.</p> <p>(IV) School Aid Plan for Rural Children</p> <p>In order to assist in Hualien county and township partial disadvantaged children from poor families, can set his mind at to go to school, parents and help the children in the school cost is larger, the economic burden of timely assistance, the Taiwan association of public service in 2020 donor care association in Hualien county mountain village of NT\$400,000, to reassure the original local people poor children can go to school, healthy growth.</p> <p>(V) Care for the Homeless</p> <p>Many street people want to regain their place in society, but many social realities make them feel helpless and powerless. In order to allow them to focus on their work, their luggage have a stable home, Taiwan public service association and the Taipei city government cooperation, the bureau of society in the Taipei main station set up "the homeless man's rack" in 2020, is completed by street friends together with master carpenters, let street friends leave luggage and belongings in storage, peace of mind to look for work and back again in the evening. We believe that this security is not only luggage, but also a psychological sense of security like returning home, so that they can go to find jobs, no longer displaced.</p> <p>(VI) Promoting the concept of self-reliance</p> <p>In order to promote the concept of self-support for the elderly, Taiwan Public Welfare Service Association and Yunlin Changtai Elderly School jointly shot five short films, hoping to make the public understand the spirit of "self-support" and redefine the meaning of "care" through the actual cases of the old school.</p> <p>(VII) Sending love to the Nanhui</p> <p>In response to Father Pak, Ying-en Social Welfare Foundation's "Illuminating the Way Home Project", Taiwan Public Service Association donated the service vehicle at the end of 2020. The vehicle provided a variety of services including day care, home visits, material donations and job</p>	

Items of Evaluation	Implementation		Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies	
	Yes	No		Summary
training for persons with disabilities in the South Hui District.The service scope was more than 20 tribes across the four townships of dawu, jinfeng, darren and tamali. Many disabled people in these tribes are unable to move because of the lack of transportation, so transportation is the lifeblood of all services. This vehicle, full of love, care and materials, will continue to travel in the tribe of Nanhui in the future, so that the inter-tribal visits and material transport services are more stable! We also hope that more people in the society can pay attention to the disabled people in the village of Nanhui.				
<b><u>Accton Culture and Education Foundation</u></b>				
Accton Cultural and Education Foundation has long been committed to improving the education of rural children and disadvantaged children, hoping to use the power of the enterprise to narrow the gap between rural children and disadvantaged children, and through long-term investment and support, to provide disadvantaged children from rural areas with a secure learning environment, so that they can have the opportunity to change their future through education. The total donation amount of Accton Culture and Education Foundation in 2020 is NT\$ 2,125,712.				
(I) "Book send hope" dream realizing action				
Accton Culture and Education Foundation has changed the pattern of collecting Christmas gifts in previous years, inviting local schools, teachers and children to list their wish books, and calling on colleagues to collect books for rural children, hoping to have a longer and deeper impact on the children through reading. In 2020, it assisted Nanai Primary School of Hsinchu City, Ecliptor Primary School of Hsinchu City, Dahu Primary School of Hsinchu City, Fugui Primary School of Nantou County, Tainan Yi 'en Caring Association, and Rainbow-Shuangfu Association of Nantou County, and donated 1,207 books in total. Through reading, Accton hopes to expand the imagination of children and increase the possibilities of their future.				
(II) Love Breakfast for Primary School in Hsinchu				
In Hsinchu, at least thousands of children are on the edge of poverty because they are from the families with low and middle income, and they cannot obtain the subsidies granted by government. Since 2014, Accton has gathered the strength of its colleagues and adopted more than 850 disadvantaged primary school children in Hsinchu for a year of loving breakfast.In 2020, we have adopted the love breakfast of 150 children. We believe that giving children a nutritious breakfast can improve their learning ability and give them a chance to change their future!				

Items of Evaluation	Implementation		Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	
(III) 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 2020, a total of NT\$402,700 has been donated to assist 191 children. Over the past 14 years, more than 2,000 children have benefited from the donation, with a total amount of more than NT\$ 5 million .Accton Hope Project is not aimed at students with excellent academic performance, but encourages disadvantaged students who are striving for upward mobility to overcome the adverse economic conditions and go to school with peace of mind. Through education, the vicious cycle of poverty can be reversed.			
(IV) Pingdong county haikouren community management association weak class auxiliary			
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 gathered the strength of the colleagues in the group and supported the meal expenses of its class and auxiliary classes for a long time, with a total assistance of NT\$196,800 in 2020.			
(V) Conducting "I am not afraid of pressure" drama and spiritual lecture			
Continuing the drama and lecture train in previous years, Accton Cultural and Education Foundation collaborated with Hsinchu local theater troupe "Fun Theatre" and psychological counselor Zhang, Min-cheung of Youqing Psychological Development Center. This year, with the theme of "Find Your Own Directions", children taught to understand their own strengths and weaknesses and to build up their self-confidence through a lively and relaxed way of teaching through drama and lectures. In 2020, four drama lectures held in Nantou Fugui Primary School, Tainan Love Hope Holistic Care Association, Tainan Grace Care Association, and Nantou Rainbow Shuangfu Association.			



(VI) 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	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 the management 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.	No discrepancy
(I) Has Accton established the ethical 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?	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 the management 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.	No discrepancy
(II) Has Accton 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
(III) Has Accton specified in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance	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	No discrepancy

Items of Evaluation	Implementation		Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
system and implemented them and review the prevention programs on a regular basis?		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.	
II. Implementation of Ethical Corporate Management			
(I) Does Accton evaluate business partners' ethical records and include ethics-related clauses in contracts entered into with the partners?	V	Upon signature of contract with others, 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 will refuse to make transaction with the 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.	No discrepancy
(II) Has Accton 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 through the company's website and internal mailbox and other ways to respond and communicate with the management and personnel units; The company has established the "Complaint and Report Management Practice" and set up a platform for reporting violations of professional ethics, providing the informant to report the company's personnel's illegal acts. The Integrity Business Promotion Group accepts the reporting cases	No discrepancy

Items of Evaluation	Implementation		Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No Summary	
		and sends them to the top supervisor of the relevant units for investigation. And tracking the final processing results, the identity of the whistle-blower and the content of the report are more confidential; The investigation process and results of the cases are kept a complete record. In 2020, cases were reported, and no major dishonesty occurred.	
(III) Has Accton 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
(IV) Has Accton 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
(V) Does the Company regularly provide internal and external education and training about ethical management?	V	The Company has established "Code of Ethical Business Practice", which is not only disclosed on the company website, but also advocated on the internal website and provided training for new employees when they enter the workplace. In 2020, 239 courses were held for ethical business management and prevention of insider trading, with 3,738 trainees. For senior managers, we are responsible for inviting professional institutions to the company to hold courses, analyzing the company's senior managers' code of conduct by case study, and implementing education and training from top to bottom, so as to strengthen the company's integrity management policy. There was a total of 2 echelons, 6 hours of training	No discrepancy

Items of Evaluation	Implementation		Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	

courses.

Items	Course type	Advocating content	Taining condition
Group New Employee Power Camp	Physical session	Advocate core values and code of conduct	There were 89 echelons and 911 person-time in total
Group New Employee Power Camp	Physical session	Inherit corporate culture and workplace ethics	There were 8 echelons and 209 person-time in total
Group New Employee Power Camp	Physical session	Explain core values and workplace behavior, and guide the workplace to understand relevant ethical and ethical codes of conduct.	There was 1 echelon and 61 person-time in total
Group New Employee Training	Physical session	Advocate good faith management and related ethical code of conduct, without any legitimate trading and group interests maintenance, prohibit insider trading.	There were 81 echelons and 702 person-time in total
Group personnel training	Physical session	Advocate group trade secret control regulations	There were 33 echelons and 727 person-time in total
Global supply chain	Physical session	To campaign for the Code of Conduct for Supply	There were 16 echelons and 85

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

management personnel training			Chain Personnel	person-time in total
Global supply chain management personnel training	Physical session		Explain the ethical code of conduct for supply chain personnel, clean trading and fair trading principles.	There was 1 echelon and 57 person-time in total
Global supply chain management personnel training	Online Training		Group internal control and risk control process and responsibility.	There were 10 echelons and 986 person-time in total

### III. Implementation of Whistleblowing System

(I) Has Accton 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	The company has set up a special area for interested parties on the company website( <a href="https://www.accton.com.tw/interested/">https://www.accton.com.tw/interested/</a> ). If the rights and interests of shareholders, customers, suppliers and other interested parties are infringed, it can complain to the company. In addition, it has internal and external appeal management, so that when employees suffer from improper, illegal or unreasonable events, they can appeal according to the appeal system.	No discrepancy
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Items of Evaluation	Implementation		Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No Summary	
		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 2020.	
(II) Has Accton 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. There was no such thing in 2020.	No discrepancy
(III) 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, the company 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 Accton disclose its ethical corporate management policies and the results of its	V	Accton discloses corporate social responsibility, ethical management and management policies and other information on its website. In addition,	No discrepancy

Items of Evaluation	Implementation		Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
implementation on the company website and MOPS?		Accton sets dedicated department to be responsible for collecting and publishing its various information, sets up spokesperson, holds corporate description meeting for stating the company's business conditions and operation results, and uploads the video and audio files for the meeting to Accton's website and the Market Observation Post System for checking purpose.	
V. If Accton 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, 2020, 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. According to the "Procedures for Preventing Insider Transactions" of the Company, the directors, supervisors, managers, employees and consultants of the Company shall not inquire about the material internal information of the Company or collect the material internal information			

Items of Evaluation	Implementation		Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
that is not relevant to the personal position of the Company but not disclosed. For major internal information that is not disclosed by the company and not disclosed to others except for the performance of the company's business, a total of 239 echelons of ethics training for employees were held in 2020 (please refer to the description of the form on page 26 for the course content), and 3,738 employees were trained.			
4. The company conducts self-evaluation 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.			

(VII) 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 (<http://www.accton.com>), and linked to investor relation or corporate governance page for checking.

(VIII) 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.



## (IX) Implementation of Internal Control System

### (1) Internal Control Statement

#### Accton Technology Corporation Statement about Internal Control System

Date: March 18, 2021

Based on the results of our self-evaluation of our internal control system for the year 2020, we hereby declare as follows:

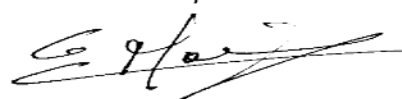
- I. Accton acknowledges that it is the responsibility of its Board of Directors and managers to establish, implement and maintain internal control system, and Accton has formulated the system. Our internal control is a process designed to provide reasonable assurance for the effectiveness and efficiency 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 the determination in the preceding paragraph, the Company is of the opinion that, as of December 31, 2020 the internal control system (including the supervision and management of subsidiaries), including the design and implementation of the internal control system relating to the effectiveness and efficiency of the operations, reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations, is effective and can reasonably assure the achievement of the foregoing goals.
- 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 was approved by the board of directors of the company on March 18, 2021. None of the seven directors present have any objection. The rest agree to the contents of this statement and hereby declare.

Accton Technology Corporation

Kuo, Fai-Long,  
Chairman of the Board



Edger Masri,  
President



(2) Review on Internal Control System by CPAs: None.

(X) 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.

(XI) 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

#### I. Ordinary meeting of shareholders

Meeting Date	Important Resolution Summary	Implementation
2020.06.18	1. Admission of Business Report and Financial Statements of the Company for the Year of 2019.	The number of votes in favor is 430,604,997 (among which 308,667,113 votes are exercised electronically), accounting for 84.34% of the total voting power. The number of votes in favor exceeds the statutory amount, and the case is adopted as the case.
	2. The Company's Acknowledgement of Earnings Distribution of 2019.	The number of votes in favor is 432,685,995 (including 310,758,111 votes exercised by electronic means), accounting for 84.75% of the total voting power. The number of votes in favor exceeds the statutory amount, and the case is adopted as the case. <ul style="list-style-type: none"> <li>• Ex-dividend base date: July 23, 2020</li> <li>• Cash Dividend Payment Date: August 14, 2020</li> <li>• Cash dividend allotted NT \$6.1903 per share.</li> </ul>

#### II. Meeting of Board of Directors

Date	Meeting of Board of Directors	Important Resolution
2020.02.24	The 11th Meeting The 1st. Interim board of directors	<ul style="list-style-type: none"> <li>• The resolution on the change of R&amp;D supervisor was passed.</li> </ul>
2020.03.19	The 11th Meeting The 10th. Meeting of Board of Directors	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Accton's 2019 business report and individual and consolidated financial statements were passed, and it is proposed to recognize the same.</li> <li>• The resolution on distribution of employee bonus, Remuneration of Directors and Supervisors in 2019 was passed.</li> <li>• 2019 profit distribution was passed.</li> <li>• 2019 "Assessment on the Effectiveness of Internal Control System" and "Statement about Internal Control System" was passed.</li> <li>• Business plan for 2020 was passed.</li> <li>• The resolution on convening 2020 regular meeting of Board of Shareholders for Accton was passed.</li> <li>• The issues related to shareholder's right to make proposals at the regular meeting of Board of Shareholders were passed.</li> <li>• The resolution on the amendment to Accton's "Ethical Corporate Management Best Practice Principles" was passed.</li> <li>• The amendments to the "Board of Director Meeting Procedure" and "Organizational Rules of the Audit Committee" of Accton was passed.</li> </ul>

		<ul style="list-style-type: none"> <li>▪ The resolution on the evaluation on the independence of Accton's CPAs was passed.</li> <li>▪ The resolution on the application for comprehensive credit line granted by the transacting banks was passed.</li> </ul>
2020.04.10	The 11th Meeting The 2nd. Interim board of directors	<ul style="list-style-type: none"> <li>▪ Passed the President change case change case.</li> </ul>
2020.05.13	The 11th Meeting The 11th Meeting of Board of Directors	<ul style="list-style-type: none"> <li>▪ The resolution on the base date for the issuance of new shares subscribed by employees by warrants in the 1st quarter of 2020 was passed.</li> <li>▪ Passed to formulate the performance evaluation methods for the board of directors and functional committees of the company.</li> <li>▪ The resolution on application to Chang Hwa Bank for medium term credit line was passed.</li> </ul>
2020.06.18	The 11th Meeting The 12th. Meeting of Board of Directors	<ul style="list-style-type: none"> <li>▪ Passed the cash dividend payment reference date.</li> <li>▪ Passed Accton Global, Inc. of 100% invested subsidiary of the Company. Provide the endorsement guarantee.</li> <li>▪ Passed Citibank (Taiwan) signed the application for renewal of the comprehensive credit extension and foreign exchange and derivatives trading line.</li> <li>▪ Passed authorizing chairman of the Board to first apply for customs duty related guarantee of the Company and its 100% invested subsidiaries within the limit of 10% of the paid-in capital of the Company and then apply for ratification.</li> <li>▪ Passed to ratify the Tariff Guarantee Case of Zhaofeng International Commercial Bank.</li> </ul>
2020.08.12	The 11th Meeting The 13th. Meeting of Board of Directors	<ul style="list-style-type: none"> <li>▪ Passed the second quarter of 2020 of base date for the issuance of new shares by employee warrant subscription.</li> <li>▪ Passed the personnel change case.</li> <li>▪ The resolution on the application for comprehensive credit line granted by the transacting banks was passed.</li> </ul>
2020.11.11	The 11th Meeting The 14th. Meeting of Board of Directors	<ul style="list-style-type: none"> <li>▪ The resolution on the base date for the issuance of new shares subscribed by employees by warrants in the third quarter of 2020 was passed.</li> <li>▪ Passed the audit plan for the year of 2021.</li> <li>▪ Passed the planned new equipment procurement case according to customer demand,</li> <li>▪ Passed the proposal for participating in bidding for two cases of land above ground rights in Chupei AI Industrial Park.</li> <li>▪ Passed the donation proposal of 2021.</li> <li>▪ Passed to amend some provisions in accordance with the announcements of the stock exchange.</li> <li>▪ The resolution on the application for comprehensive credit line granted by the transacting banks was passed.</li> <li>▪ The resolution on the application for financing limit granted by CITI Bank was passed.</li> </ul>
2021.01.28	The 11th Meeting The 15th Meeting of Board of Directors	<ul style="list-style-type: none"> <li>▪ Passed the fourth quarter of 2020 of base date for the issuance of new shares by employee warrant subscription.</li> <li>▪ Passed the appointment of members of the Fourth Remuneration Committee through the By-election.</li> <li>▪ Passed Chupei AI Industrial Park Investment Construction Project.</li> <li>▪ Passed to ratify the Tariff Guarantee Case of Zhaofeng International Commercial Bank.</li> </ul>

		<ul style="list-style-type: none"> <li>▪ The resolution on the application for comprehensive credit line granted by the transacting banks was passed.</li> </ul>
2021.03.18	The 11th Meeting The 16th Meeting of Board of Directors	<ul style="list-style-type: none"> <li>▪ Passed the business report and individual and consolidated financial statements of the company of 2020.</li> <li>▪ Passed the remuneration for employees and distribution of remuneration for directors of 2020.</li> <li>▪ Passed earnings distribution proposal of 2020.</li> <li>▪ Passed "Internal control system effectiveness evaluation" and "internal control system statement" proposal of 2020.</li> <li>▪ Passed the business plan of 2021.</li> <li>▪ Passed the proposal of convening the meeting of shareholders of the company of 2021.</li> <li>▪ Passed the proposal of election of the twelfth term of directors (including independent directors).</li> <li>▪ Passed Board of Directors of the Company proposes and reviews the list of candidates for the twelfth term of directors (including independent directors).</li> <li>▪ The issues related to shareholder's right to make proposals at the regular meeting of Board of Shareholders were passed.</li> <li>▪ The issues related to acceptance of the candidates proposed by shareholders and directors (including independent shareholder) at the regular meeting of Board of Shareholders were passed.</li> <li>▪ The proposal for cancellation of the non-competition restriction on Accton's new directors and their representatives was passed.</li> <li>▪ Passed the revision of the company's financial statement preparation process management.</li> <li>▪ The resolution on the evaluation on the independence of Accton's CPAs was passed.</li> <li>▪ Passed the visa accountant change of our company.</li> <li>▪ The resolution on the application for comprehensive credit line granted by the transacting banks was passed.</li> </ul>

(XII) 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.

(XIII) Resignation and dismissal of Accton'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
President	Lee, Chih-Chiang	2017.03.21	2020.04.10	Retirement

V. CPA Service Fee:

Name of CPA Firm	Name of CPA		Audit Period	Remarks
Deloitte & Touche	Lin, Cheng-Chih	Huang, Yu-Feng	January/2020 ~ December/2020	

Unit of Amount: NTD Thousand

Range	Category of Fees	Audit Fees	Non-Audit Fees	Total
1	Below NTD2,000 thousand		✓	250
2	NTD2,000 thousand (including the figure) ~ NTD4,000 thousand			
3	NTD4,000 thousand (including the figure) ~ NTD6,000 thousand			
4	NTD6,000 thousand (including the figure) ~ NTD8,000 thousand			
5	NTD8,000 thousand (including the figure) ~ NTD10,000 thousand	✓		8,645
6	NTD10,000 thousand (including the figure) and above			

Unit of Amount: NT\$ Thousand

								Unit of Amount: NT\$ Thousands		
Accounting Firm Name	Name of CPA	Audit Fees	Non-Audit Fees				Sub-total	Audit Period	Remark	
			Registration with System Design	Administration for Industry and Commerce	Human Resource	Others				
Deloitte & Touche	Lin, Cheng-Chih Huang, Yu-Feng	8,645	-	-	-	250	250	2020.01.01 ~ 2020.12.31	Non-audit expenses - Other: tax related items	

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

- (I) 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.
- (II) When the company changes its accounting firm and the amount of public audit fees paid in the year of the change is less than that in the year preceding the change, the amount of public audit fees before and after the change and the reasons thereof shall be disclosed: N/A.
- (III) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) thereof 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:

(I) Information on the previous independent auditor

Date of Replacement	First quarter of 2021		
Reason of replacement and explanation	As a result of internal rotation of Deloitte & Touche joint accounting firm, we have replaced former Lin, Cheng-Chih accountant and Huang, Yu-Feng accountant with Lin, Cheng-Chih accountant and Chung, Ming-Yuan accountant since the first quarter of 2021 to handle the company's financial statements and visa affairs.		
Explain the termination of appointment by appointer or the refusal of appointment by CPAs	Condition of the Party	CPA	Appointer
	Voluntarily terminated appointment	N/A	N/A
	Reject the (continuing) authorization	N/A	N/A
The opinions and reasons in the signed and issued audit reports which were not “no reservations” in the most recent two years	N/A		
Opinions different from that of issuer	Yes		Accounting principles or practices
			Disclosure of financial report
			Scope or procedure of audit
			Others
	None	V	
	Description		
Other disclosure matters (those to be disclosed in Article 10, Paragraph 5, Item 1, Item 4)	N/A		

(II) About the successor of CPA

Name of accounting firm	Deloitte & Touche
Name of CPA	CPA Lin, Cheng-Chih and CPA Chung, Ming-Yuan
Date of Appointment	First quarter of 2021
Accounting methods or principles for specific transactions as well as advisory matters and results that may be issued for financial reporting prior to appointment	None
Written opinions of the successors on the different opinions of the former CPAs	None

(III) Reply made by former CPAs to the issues specified in item 1 and point 3 of item 2 of clause 6 of Article 10 of the Principles: N/A.

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 18, 2021.

Items of Evaluation	Results of Evaluation	Compliance with Independence
1. Whether the company has a declaration of independence issued by a visa accountant.	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. The visa accountant has not held any concurrent position in the company in the recent one year.	Compliance with regulations	Yes
4. The chairman of the board of directors, President or manager in charge of financial or accounting affairs of the company, who has worked in the Visa Accountant's firm or its related enterprises within the last one year.	Compliance with regulations	Yes
5. Whether the company regularly evaluates the independence of the visa accountant.	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

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

Job Title	Name	2020		The year of 2021 up to Mar. 31	
		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	800,000	—	(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	—	—	—	—
Director (Note 2)	Huang, Kuo-Hsiu	—	—	—	—
Independent director (Note 3)	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 4)	Edgar Masri	—	—	—	—
General Manager (Note 5)	Lee, Chih-Chiang	100,000	—	—	—
Senior Vice President	Yu, Ji-Hsiang	—	—	—	—
Senior Vice President (Note 6)	Li, Hsun-Te	—	—	—	—
Senior Vice President (Note 6)	Chiang, Ying-Hui	—	—	—	—
CFO (Note 1)	Lin, Meen-Ron	—	—	—	—
Vice President	Liew, Hin-Soon	(261,000)	—	—	—
Vice President	Wang, Ching-Te	—	—	—	—
Senior Vice President of Research and Development (Note 7)	Li, Kuan-Tse	—	—	—	—
New technology R&D Vice President (Note 8)	Michael Lane	—	—	—	—

Note 1 Ms. Lin, Meen-Ron, the corporate representative of Director and CFO, has 219,000 shares under trust with discretion reserved.

Note 2: Director Mr. Huang, Kuo-Hsiu resigned as director on January 26, 2021.

Note 3: Independent director Mr. Liu, Chung-Laung passed away on November 7, 2020.

Note 4: Mr. Edgar Masri concurrently served as the General Manager on April 10, 2020.

Note 5: Mr. Lee, Chih-Chiang resigned as the General Manager on April 10, 2020.

Note 6: Mr. Li, Hsun-Te and Ms. Chinag, Ying-Hui assumed the positions of senior Vice Presidents on August 12, 2020.

Note 7: Mr. Li, Kuan-Tse served as the Senior Vice President of R&D on February 24, 2020.

Note 8: Mr. Michael Lane resigned as Vice President of New Technology R&D on August 26, 2020.

(II) Transfer of equity: N/A

(III) 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	8.06%	—	—	—	—	—	—	
Citi (Taiwan) Commercial Bank is entrusted with the custody of John Hancourt Fund's three international growth fund investment accounts	21,054,800	3.76%	—	—	—	—	—	—	
Investment Account of SUNNY RISE INVESTMENT LIMITED under the custody of Bank SinoPac	12,983,664	2.32%	—	—	—	—	—	—	
The MTX Stable Emerging Market Leader Investment Account of the Peak Tebell Fund entrusted by the business department of Standard Chartered International Commercial Bank	11,093,000	1.98%	—	—	—	—	—	—	
Hermes Global Emerging Market Fund Investment Account subordinate to Hermes Investment Fund Corporation under the custody of Bank of Taiwan	10,298,000	1.84%	—	—	—	—	—	—	
Cathay Life Insurance Entrusts Cathay Pacific Investment Trust Investment Account (SG Taiwan Stocks Strategy 1)	9,785,000	1.75%	—	—	—	—	—	—	
Nanshan Life Insurance Co., Ltd. Chairman: Chen Tang	8,970,000	1.60%	—	—	—	—	—	—	
American JPMorgan Chase Bank Taipei Branch is entrusted with the Central Bank of Saudi Arabia-External Manager Schroder Investment Management Company-External Account Manager HSBC Institutional Fund Service Company Investment Account	8,802,535	1.57%	—	—	—	—	—	—	
Investment Account of Norges Bank under the custody of Chase	8,384,923	1.50%	—	—	—	—	—	—	
American JPMorgan Chase Bank Taipei Branch entrusted with custodial JP Morgan Fund Investment Account	7,950,000	1.42%							

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 ratio

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 (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%
MuXi 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.	50,000,000	100.00%	0	0.00%	50,000,000	100.00%
Accton Global, Inc.	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%
Edgecore Cayman Corporation	0	0.00%	1,000,000	100.00%	1,000,000	100.00%
Edgecore Americas Networking Corporation	0	0.00%	10,000	100.00%	10,000	100.00%
ATAN NetworKs Co., Ltd.	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	559,456,397 (listed)	320,543,603	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

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
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
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	1,189,108,700 45,223,310	—	TCZY No. 0910132765 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
						Equity certificates transferred from bonds			
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
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	17,685,000	—	2010.11.17

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
						warrants			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 JGZFFZ 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
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	14,830,000	—	2013.08.26

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
						warrants			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

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
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 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



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
2020.05	10	880,000,000	8,800,000,000	558,515,397	5,585,153,970	Shares transferred from warrants	464,000	—	2020.05.27 ZSZ No.1090014590 Document
2020.08	10	880,000,000	8,800,000,000	559,377,397	5,593,773,970	Shares transferred from warrants	862,000	—	2020.08.25 ZSZ No. 1090024260 Document
2020.11	10	880,000,000	8,800,000,000	559,434,397	5,594,343,970	Shares transferred from warrants	57,000	—	2020.11.20 ZSZ No.1090032900 Document
2021.02	10	880,000,000	8,800,000,000	559,456,397	5,594,563,970	Shares transferred from warrants	22,000	—	2021.02.26 ZSZ No.1100005317 Document

3. Information on the shelf registration system: None.

Preferred stock: None

## (II) Shareholder Structure:

April 19, 2021

Shareholder Structure Quantity	Government Organization	Financial Institution	Other Legal Person	Individual	Foreign Institution and Outsider	Total
Number of People	62	14	282	36,641	1,052	38,051
Number of Shares Held	15,015,100	22,000,015	59,675,210	70,603,224	392,544,848	559,838,397
Shareholding Ratio (%)	2.68	3.93	10.66	12.61	70.12	100

## (III) Dispersion of Equity Ownership

NT\$ 10 per share in denomination on April 19 of 2021

Class of Shareholding	Number of Shareholders	Number of Shares Held	Shareholding Ratio (%)
1 to	999	24,525	2,777,405
1,000 to	5,000	10,719	19,677,189
5,001 to	10,000	1,154	8,207,774
10,001 to	15,000	374	4,527,407
15,001 to	20,000	167	2,982,908
20,001 to	30,000	216	5,310,174
30,001 to	50,000	181	7,082,811
50,001 to	100,000	191	13,894,568
100,001 to	200,000	178	25,432,788
200,001 to	400,000	125	36,214,395
400,001 to	600,000	59	29,315,751
600,001 to	800,000	37	25,573,557
800,001 to	1,000,000	26	23,605,766
Over 1,000,001	99	355,235,904	63.45%
Total	38,051	559,838,397	100%

## (IV) List of Major Shareholders:

April 19, 2021

Shares	Number of	Shareholding
Name of Major Shareholder	Shares Held	Ratio (%)
1. Golden Tengis Co., Ltd.	45,113,765	8.06%
2. Citi (Taiwan) Commercial Bank is entrusted with the custody of John Hancourt Fund's three international growth fund investment accounts	21,054,800	3.76%
3. Investment Account of SUNNY RISE INVESTMENT LIMITED under the custody of Bank SinoPac	12,983,664	2.32%
4. The MTX Stable Emerging Market Leader Investment Account of the Peak Tebell Fund entrusted by the business department of Standard Chartered International Commercial Bank	11,093,000	1.98%
5. Hermes Global Emerging Market Fund Investment Account subordinate to Hermes Investment Fund Corporation under the custody of Bank of Taiwan	10,298,000	1.84%
6. Cathay Life Insurance Entrusts Cathay Pacific Investment Trust Investment Account (SG Taiwan Stocks Strategy 1)	9,785,000	1.75%
7. Nanshan Life Insurance Co., Ltd	8,970,000	1.60%
8. American JPMorgan Chase Bank Taipei Branch is entrusted with the Central Bank of Saudi Arabia-External Manager Schroder Investment Management Company-External Account Manager HSBC Institutional Fund Service Company Investment Account	8,802,535	1.57%
9. Investment Account of Norges Bank under the custody of Chase	8,384,923	1.50%
10. American JPMorgan Chase Bank Taipei Branch entrusted with custodial JP Morgan Fund Investment Account	7,950,000	1.42%

## (V) 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

		Year	2019	2020	2021 up to March 31
Items					
Market value per share	Maximum		195.00	320.50	324.00
	Minimum		96.20	137.00	246.50
	Average		140.40	215.19	275.43
Net worth per share	Before Distribution		23.03	25.99	27.98
	After Distribution		16.80	Note	Note
EPS	Weighted average number of shares (Thousand shares)		555,633	556,352	557,252
	EPS	Before adjustment	8.91	9.07	2.02
		After adjustment	—	—	—
Dividends per share	Cash dividends		6.1903	Note	—
	Stock grants	Surplus distribution	—	—	—
		Capital surplus distribution	—	—	—
	Accumulated Undistributed Dividends		—	—	—
Analysis of Investment Return	P/E Ratio		15.76	23.73	—
	Price/Dividend Ratio		22.68	Note	—
	Cash dividend yield		4.41%	Note	—

Note: as approved by the Board of Shareholders in the year of 2019, distributed the cash dividend of NT\$6.1903 per share. In 2020, surplus allocation plan adopted by the shareholders' meeting.

## (VI) Dividend Policy and Its Implementation

### 1. Dividend policy:

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

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

In case of accumulated loss, the Company shall reserve a specific amount to make up for losses. The Company shall then distribute employees and directors compensation 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, the company's earnings distribution is given priority to the cash dividend. In 2020, earnings distribution plan approved by the board of directors, the cash dividend of shareholders is NT \$3,636,538,081, accounting for 63.08% of the distributable earnings.

2. Distribution of dividends proposed at the most recent meeting of the Board of Shareholders: The company's earnings distribution plan of 2020 was approved by the board of directors on March 18, 2021, as shown in the table below. The case will be handled in accordance with the relevant regulations after the resolution of the shareholders' regular meeting on June 17, 2021 is passed.

### Earnings Distribution Statement of 2020

Unit: NT\$ Thousand			
Items	Amount	Cash Dividends	Stock Dividends
Undistributed earnings at beginning of the period	1,159,216,447	0	0
Plus: Remeasurements of defined benefit plans recognized in retained earnings	(3,906,665)		
Add: current net profits after tax	5,048,352,605	0	0
Undistributed earnings for the current period	6,203,662,387		
Minus: provision of statutory surplus reserve	(504,444,594)		
Plus: Turn over the special surplus reserve	65,023,450		
Distributable earnings for the current period	5,764,241,243	0	0
Distribution items:			
Shareholders' Dividend - Cash (NT\$6.50 per share)	3,636,538,081	3,636,538,081	0
Unappropriated retained earnings at the end of period	2,127,703,162	0	0

3. Anticipated major changes in dividend policy: None.

(VII) 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.

(VIII) 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 the Company has gained profits within a fiscal year, 1% to 11.25% of the profits shall be reserved as the employees' compensation to employees of the Company meeting certain specific requirements, and the Board of Directors shall decide whether to distribute in the form of shares or in cash. The Company may, upon resolution by the Board of Directors, reserve no more than 1.5% of the aforesaid profit as directors' compensation. Proposals for the distribution of employees' compensation and directors' compensation shall be submitted to the shareholders' meeting. In case of accumulated loss, the Company shall reserve a specific amount to make up for losses. The Company shall then distribute employees and directors compensation 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 2020, 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 in to 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:

On March 18, 2021, the Board of Directors of the Company decided to distribute cash bonus of NT\$ 779,607 thousand to employees and remuneration of \$45,000 to directors based on the annual surplus of the year 2020.

- (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

In 2020, the company's earnings distribution plan was not proposed to distribute employee stock dividends.

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 (2020) Meeting of Board of Shareholders	Difference (NT\$)
Cash dividends to employees	741,109,448	741,109,448	0
Stock dividends to employees	0	0	0
Director Remuneration	45,000,000	45,000,000	0

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

(IX) Share repurchases:

(1) Circumstances of the Company's repurchase of its own shares (where the execution has been completed)

April 19, 2021

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) The Company's repurchase of the Company's shares (under execution) : None.

II. Issuance of Corporate Bonds: None.

III. Preferred Stocks: None.

IV. Global Depositary Receipts (GDRs): None.

V. Issuance of warrants to employees:

(1) Issuance of employee warrants

March 31, 2021

Types	No. 3 Employee Warrants	No. 4 Employee Warrants
Effective Date of Declaration	99/07/06	102/12/23
Date of Issuance	99/07/20	103/09/04
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 (%)	<p>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.</p> <p>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.</p>	
Shares obtained	17,045,500 shares	17,317,000 shares
Amount of subscribed shares	187,319,200	269,981,951
Number of shares not subscribed	0 shares	1,990,500 shares
Subscription price per share for the subscriber without subscribed shares	—	13.80
Number of shares not subscribed and its ratio (%) in total issued shares	0.00%	0.36%
Influence on shareholders	<p>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.</p>	

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

April 19, 2021

	Job Title	Name	Number of shares that can be subscribed (thousand shares)	Ratio (%) of subscription number obtained in total issued shares	Subscribed				Not subscribed			
					Number of shares subscribed (thousand shares)	Price of shares subscribed	Amount of shares subscribed (NT\$ Thousand)	Ratio (%) of number of shares subscribed in total issued shares	Number of shares subscribed (thousand shares)	Price of shares subscribed	Amount of shares subscribed (NT\$ Thousand)	Ratio (%) of number of shares subscribed in total issued shares
Manager	Chairman of the Board	Kuo, Fai-Long										
	President	Lee, Chih-Chiang										
	Senior Vice President of Research and Development	Yu, Ji-Hsiang	5,397	0.97%	4,477	11.97	53,599	0.80%	920	13.8	12,696	0.16%
	Vice President	Liew, Hin-Soon										
	CFO	Lin, Meen-Ron										
	Senior Vice President	Li, Hsun-te										
	Senior Vice President	Chiang, Ying-Hui										
	Assistant Manager	Huang, Kuo-Hsiu										
	Assistant Manager	Li, Wei-Shuo										
Employee	Special Assistant	Chiu, Kuo-Tai										
	Senior Assistant Manager	Lin, Hsin-Hsuan										
	Senior Assistant Manager	Wei, Chiu-Hsia										
	Special Assistant	Chang, Shih-Ming										
	Assistant Manager	Chen, Fang-I	5,470	0.98%	4,770	12.58	59,998	0.85%	300	13.8	4,140	0.13%
	Senior Assistant Manager	Huang, Chun-Hung										
	Special Assistant	Huang, An-Jye										
	Senior Assistant Manager	Huang, Kuo-Ning										
	Executive Director of Subsidiary	Yang, Chien-Wu										

Note 1: Mr. Lee, Chih-Chiang resigned from the position of President on April 10, 2020.

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

#### (I) 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.
  - IoT system, including terminal hardware, system software, application software, and hybrid cloud platform. (Internet of Everything- IoT system includes IoT gateways/Controllers, multi-sensors, applications, and Hybrid-Cloud servers)
  - Smart Network Interface Card
  - Millimeter-Wave AP, Bridge, CPE
  - 5th Generation Cellular (CPE) and Enterprise Small Cell Base Station.
  - Enterprise Grade SD-WAN, Virtual/Universal CPE
  - Import and export business related to Accton's business.

##### (2) Proportion in the business revenue of 2020

■ Network switch	71%	■ Wireless network equipment	2%
■ Network application equipment	14%	■ Broadband network equipment	0%
■ Network access equipment	10%	■ Others	3%

##### (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
- CSR/DCSG: Cell Site Router/ Disaggregated Cell Site Gateway Router
- 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
- Enterprise level Integrated Service Gateway
- Enterprise level and telecom level wireless network base station
- Multi-Access Wireless Broadband Router/CPE
- Wireless base station control switch
- 5G (5th generation cellular) (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 level SD-WAN, vCPE/uCPE (Enterprise Grade SD-WAN, Virtual/Universal CPE)
- 10/25/50/100 Gbps SmartNIC
- NVMe Server Storage
- Artificial intelligence reasoning card, 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
- Artificial intelligence learning calculus card and its equipment, 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
- Wi-Fi 6E 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

(II) Industry Overview:

(1) Current status and development of the industry

International data firm IDC points out that the resilience to respond quickly to unexpected business shocks due to the COVID-19 epidemic in 2020 will be an indicator of an increasingly digital economy. In the future, the majority of an organization's revenue will depend on the real-time responsiveness, resilience, and resilience of its communications infrastructure, applications, and data resources. As the global economy continues to go digital, and most products and services are built on digital delivery models or enhanced to remain competitive, 65 percent of global GDP will be digitized by 2022, driving \$6.8 trillion in IT spending between 2020 and 2023.

IDC predicts that by the end of 2021, 80% of enterprises will switch to cloud-centric infrastructure and applications, twice the rate before the epidemic. By 2023, half of the world's enterprises will have applications in containerized, cloudy environments. Improved marginal deployment will be the priority. In response to manpower and operational measures of the epidemic, it will be a major driver of 80% marginal-centric investment and business

model change in most industries by 2023. The deployment of infrastructure at the edge base and the need to deliver applications and data resources to the edge will accelerate the adoption of the latest cloud-centric edge network solutions. By 2023, the foundation for all IT and business automation start-up will be built on the emerging cloud ecosystem platform with resource management extension and real-time analytics capabilities.

MIC Information and Strategy Committee points out that 5G, combined with marginal computing, enables telecom operators to go deep into the field of hybrid cloud and carry out innovative services on the basis of optimization of network quality, security, cost and other conditions, which is expected to drive the construction of data centers in small and medium-sized regions. It is estimated that the marginal computing market size will grow by 180% in 2021, reaching 28 billion US dollars. According to MIC Information and Strategy Committee, 5G has driven Wi-Fi6 to become the mainstream specification for networking. Combined with factors such as working from home and switching end products, it is estimated that Wi-Fi6 will account for more than half of all Wi-Fi chip shipments in 2021. Enterprise private network will become the focus of 5G market, IDC estimates that the operator's private network and hybrid private network will become the future 5G enterprise private network deployment mainstream.

## (2) Correlation among upstream, midstream, and downstream of the industry

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

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 large manufacturers maintain a good interactive relationship, and effectively grasp the source and information of relationship components, further grasp the market opportunity and deepen the original cooperative relationship 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

### Data center switch

Accelerating the load by machine learning and AI inference is increasing the need for 400Gbps and more in supermassive data centers such as Google, Microsoft and Facebook. At the same time, the growing number of edge-end devices, such as high-resolution 4K movies and machine-to-machine connections, has also led to an increase in IP traffic, thus relying more heavily on high-bandwidth datacentre switches to provide efficient networks.

### Mobile network pass back device

If the government decides to re-seal the city in the future because of the epidemic, it will affect the supply chain and slow down the deployment of mobile network equipment. But as vaccines become more widely available, service providers will also feel more confident about investing in network equipment. The deployment of 5G is the major factor in stimulating the growth of the mobile network return equipment battalion.

### Campus and enterprise network: Wi-Fi 6

The biggest change over previous generations of Wi-Fi 6 is a significant increase in connectivity. Wi-Fi 6 has a maximum throughput of 9.6Gbps across multiple channels, reducing latency by 75% and supporting more high-speed, low-latency applications, with

5G also becoming the mainstream specification for connectivity. Lin Baiqi, an industry consultant with the Industry Intelligence Institute (MIC) of China Information and Policy Council, pointed out that 5G and Wi-Fi 6 will complement each other, and it is estimated that Wi-Fi 6 will account for more than 50% of the overall wireless local area network (WLAN) market after mid-2021.

Campus and enterprise network: 5G CPE

Fixed Wireless Access (FWA) has become a new option for telecom operators as the last mile of broadband fixed-line networks in some countries with vast land areas that are difficult to deploy in rural areas. Meanwhile, 5G CPE has also been rolled out. It is estimated that 5G CPE industry shipments will grow by more than 143% in 2021. That's 5.6 million.

Software Defined Generalized Network SD-WAN

Despite the slowdown in SD-WAN deployment in 2020 due to COVID-19, demand for WAN infrastructure upgrades remains strong, with Dell 'Oro forecasting a 24% CAGR growth rate for global SD-WAN technology over the next five years and more than US \$4 billion by 2025.

### (III) Technology and R&D Overview

- (1) Research and development expenditure and its proportion to revenue in the last two years and as at 31.3.110

Unit: NT\$ Thousand		
Year	R&D Expenditure	Percentage of Operating Revenue (%)
2019	1,993,443	3.60
2020	2,163,639	3.97
March 31, 2021	568,215	4.31

- (2) R&D Achievement

In 2020, a novel coronavirus pneumonia epidemic (COVID-19) has changed people's existing life and work mode, and caused a huge impact on the global economy and industry. Long distance to work and long distance teaching has become a trend. The most important thing is to increase the demand for enterprises and individuals to connect to the Internet, which highlights the importance of high-speed broadband and 5G development. Non-contact business opportunities are new industrial opportunities in the global epidemic, and the demand for Internet infrastructure and products will continue to grow. In 2020, Accton will develop a number of new technology products in line with the market trend; High-density 100G and 400G switches for ultra-large data centers, including Open Network equipment and software, development of 200G / 600G high-speed optical fiber transmission switches between data centers, and development of 100G smart Network cards; Artificial intelligence inference operation card, providing the functions of Deep Learning cluster arithmetic device required by data center, Deep plowing Wi-Fi 6 and developing new generation high-speed wireless network access solutions such as Wi-Fi and millimeter wave wireless high-speed transmission, etc. In terms of production capacity, the addition of Hsinchu Zhonan Plant expands Taiwan's production capacity, connects production machines with cloud technology and artificial intelligence technology, achieves production quality and efficiency of intelligent manufacturing, and improves overall operating efficiency.

COVID-19 has driven the rise of the Low Touch Economy, enabling 5G, WiFi 6 (802.11ax), edge computing, artificial intelligence analysis and a new generation of security management mechanism to connect things in enterprise, industry and consumer environment in a more intelligent, safe and convenient way. As businesses continue to invest in their IT infrastructure, the importance of online capabilities, remote monitoring, data analytics and even artificial intelligence technologies has increased dramatically to assist decision making to provide more secure, reliable and efficient work functions. The epidemic has set new standards for digital infrastructure, with higher expectations and more responsibilities placed on data centers, as industries adjust how they operate to cope with, or even escape, blockades around the world. With the digital transformation and the demand for decentralized computing and

storage driven by the application of cloud computing, AI and 5G, the construction of micro-data centers and super-large data centers directly promotes the growth of switches, especially those with higher bandwidth. As the world's largest 100G white brand switch supplier, Accton maintains a relatively leading technology in the world's 400G switch. Fourth-order pulse amplitude modulation signal integrity channel simulation and design, low pre-FEC error rate signal channel response design, high current power plane planning resonance response design and optimization, high current low voltage ripple design and optimization, etc., has been leading the global industry 400G/Port high-speed exchange platform.

In May 2020, the company released and developed a prototype of 3.2 TBPS data center switch, introducing 32 sets of 100G CWDM4 ports on-board Optics (OBO) and fiber optic cabling lightweight systems. As a leader in the design of open hardware platform in data center, the introduction of on-board optical engine has broken the previous situation that Transceiver (XCVR) is mainly used in the front end of switches. As the optical transceiver connectors move into the interior of the switch, the limitations of the connector mechanism under the existing specifications are also relaxed. Whether from the point of view of electrical signals or system heat dissipation, the layout design of the switch will be more flexible to meet the requirements of system integration, and integrate the optical transceiver connectors into the data transmission system more efficiently. With the development of packaging technology, the on-board optical engine was successfully introduced into the switch system, and the process of "co-packaging optical components" was further promoted as the next technology node. Co-Packaged Optics (CPO) is a major technology vision that aims to reduce system energy consumption and improve heat dissipation efficiency by centrally managing high-energy and temperature-sensitive optoelectronic components and integrated circuits in a switch system. In addition, the introduction of silicon photonic chip also makes the integration of the co-encapsulated optical engine get a leap improvement compared with the traditional optical engine. Due to the introduction of on-board optical engine, the internal layout of the switch is different from the use of traditional plug-and-plug modules. The solution to the systematic problems of optical, mechanical, electrical and thermal is a strong foundation for leading the future of more high-speed switches to optical.

With the rapid development of emerging technologies such as 5G, Internet of Things, artificial intelligence and machine learning, the growth rate of data continues to climb. In response to the important business trends of anything as a service in the future, IDC recommends that enterprises in the future must be able to provide hyperscale, hyper speed, and hyper connected support and response in IT infrastructure, data, and applications. According to IDC's estimation, the global data volume will be as high as 175 ZB in 2025. Facing the explosive growth of data, Accton will actively innovate and develop to meet the future challenges. Developed many of the industry's first products in the cloud data center; Open Packet Transponder with Coherent Optics is the industry's first modular, Open, and disaggregated Packet Transponder. Coherent Optical provides a high-capacity 100G switch port and a 100/200Gbps Coherent Optical interface. Coherent optical line cards and transceivers are backhaul devices used by data center interconnection and network service providers. A coherent optical device can send a data signal through different light polarizations, allowing more information to be transmitted through a single optical fiber. The digital signal processor (DSP) at both ends can compensate for chromatic and polarization mode dispersion. Improve the speed and efficiency of information transmission in metropolitan network and long distance. Hyper Cloud Appliance is an open Appliance that combines a server and a server switch. Network Visibility Monitoring, WAN Optimization, Cloud Orchestration, Virtualized Security Management, etc. This is a server switch suitable for the next generation of network applications, which can fully meet the strong demand for the combination of network and computing in the future market. Developed the industry's first 50G/200G Ethernet Flash storage system EBOF (Ethernet Bunch of Flash). It integrates the NVME-of-TCP/IP storage system and the 50G/200G Ethernet switch fabric in the same system architecture. The data access efficiency is one of the most important characteristics of the full flash storage server. The 25GbE/50GbE bandwidth maximises the performance of NVME (PCIe3.0) SSD drives and makes it easier to upgrade to PCIe Gen 4 SSD drives in the future, providing customers with the best investment in storage products.

Wireless communication technologies continue to evolve, and each generation of Wi-Fi aims to increase network capacity and throughput in device-intensive environments, expand

network coverage, and reduce power consumption. The biggest change over previous generations of Wi-Fi 6 is a significant increase in connectivity. Wi-Fi 6 has a maximum throughput of 9.6Gbps across multiple channels, reducing latency by 75% and supporting more high-speed, low-latency applications, with 5G also becoming the mainstream specification for connectivity. With the rapid growth of streaming multimedia services such as audio and video, live broadcasting and music, as well as the trend of industrialization 4.0, medical treatment and smart city demand for high-speed Internet, 5G and Wi-Fi 6 are simultaneously booming to create smart applications. In 2020, despite the COVID-19 epidemic, the market demand for Wi-Fi high-speed networking will be stronger. The new report commissioned by the Wi-Fi Alliance estimates that the current annual global economic value of Wi-Fi is \$1.96 trillion. It predicts that by 2023, the global economic value of Wi-Fi will be more than \$3.47 trillion, with nearly 2 billion Wi-Fi 6 devices expected to be delivered in 2021. It is becoming more widely used in corporate, residential and public services worldwide, as well as in PCs, access points, smart phones and IoT devices. Accton has launched a number of Wi-Fi 6 wireless network products ahead of the market; For example, indoor enterprise-class 802.11AX synchronous tri-band wireless network base station, enterprise-class Wi-Fi 6 802.11AX wireless dual-band dual-engine network interceptor and other products. In response to the challenges posed by the rapidly increasing number of wireless capabilities and the application of Gigabit wireless technology in modular design, Applications include 802.11ax, 802.11ac, 60GHz micron wave and Bluetooth Low Energy (BLE), etc. The adaptive MIMO smart antenna design and 60 GHz wave-number control antennas developed and patented in our country can optimize the performance of these wireless network systems. Accton has successfully built the world's first 60 GHz point-to-point outdoor network bridge, which is a 5 GHz Wi-Fi backup device for Gigabit backhaul connections. Accton will continue to innovate and develop Software-defined, Multi-band, Multi-Radio devices and Wireless-Fiber Hybrid solutions. As the demand for network density rises rapidly, Wi-Fi 6 will play a powerful role in supporting the terminal customers of wireless mobile communication network and emerging applications such as the Internet of Things, intelligent medical care and smart city.

The IoT and big data drive the cloud industry and AI intelligent devices into everyone's life. Information-based intelligent life is the goal of the Internet of Things technology integration of big data analysis, development and application implementation. The value and importance of the web is growing exponentially as devices and users join, and digital services will continue to drive innovation on the web. IDC estimates that by 2023, there will be 48.9 billion connected devices worldwide. The construction of smart cities has become the key direction of the policy of all countries. By virtue of virtualization and data-oriented solutions, Accton connects the needs of the Internet of Things in different communities. As everyone and every device is connected to a large network, there will be more connections between people, between people and devices, and between devices. There will be endless new business opportunities. The Internet of Things will make all devices connected and smart. 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. Accton continues to develop perceptual network gateways, cloud data analysis back-end platforms, sensors and brakes on new communication technologies to provide a complete end-to-end solution, vertically integrated for different application scenarios to meet the needs of customers. Research and development of various industrial applications to achieve more practical applications, through the Internet of Things to create more intelligent technology services and life for all people. We are committed to building IoT solutions based on cloud infrastructure, linking terminal application products, improving intelligent life and integrating IoT service platform, and sharing the convenience of IoT.

Announced on December 23, 2020, Accton in Hsinchu county international AI intelligent industrial park set of restricted area land superficies and land use rights, the industry obtained restricted area (a) will be used for the construction of research and development center and high-speed network with the new generation information data center laboratory, industry restricted area (2) the planning innovation network application experiment field, It is planned to start operation in succession in the next 3 years. The entry into Hsinchu County International AI Intelligent Park is an important milestone of Accton's investment in Taiwan, which is in line with the policy axis of Hsinchu County government to develop innovative industries. With the efforts and promotion of artificial intelligence technology and application

in recent years, more and more intelligent terminals with edge computing capacity appear. With the deployment and construction of 5G network, IDC estimates that by 2022, 80% of enterprises will increase their investment in hardware and infrastructure related to intelligent terminals by four times. Trends such as globalization, digital transformation, business automation and resilience, and sustainability are shaping demand for a new generation of networks that are simplifying and guaranteeing operations through emerging technologies such as artificial intelligence (AI), machine learning, and automation, enabling rapid adaptation, and enhancing human decision making. The demand for high-speed transmission of network data and high computing applications is increasing day by day. However, due to the different development period, cost and application aspects of different servers, the configuration of data center has been limited. In recent years, Accton actively layout AI products, set up a research and development team specializing in AI, developed AI operation Card and Smart Network Interface Card (Smart Network Interface Card), which have become flexible construction and application, high economic benefits and save product development time for data center upgrade solutions. It can be used as the distributor of the storage server and offload the application, so as to share part of the CPU workload, so that more CPU core resources can execute the user's application program, or it can make up for the special operation that the CPU can't handle, and indirectly promote the optimization of server utilization. And internal software application, acceleration to enhance performance, to meet the requirements of low latency. New computing applications, such as artificial intelligence simulation, deep learning and inferential calculus and learning of machine autonomous prediction, can flexibly simplify the upgrading of data centers and the mobile configuration of different applications, so that the layout of data centers can generate the fastest combination of different applications in the shortest time, and improve the application of overall system integration technology. The speech recognition and intelligent speaker artificial intelligence service of foreign well-known cloud data center currently uses the inference function of Accton AI simulation card to do comparison and inference applications. Accton is committed to providing customers with industry-leading complete solutions. One of the technical visions of Intelligent Bang is to make artificial intelligence (AI) create a better life of intelligent technology.

Soft-defined IT infrastructure has become the mainstream trend at present. The development of globalization makes the demand of enterprise layout Edge more and more high. Therefore, centralized management of rapidly expanding distributed global operations through network cloud technology has become an urgent problem for enterprises to solve. It is very difficult for enterprises to maintain and upgrade in different countries under the epidemic situation. However, through software and cloud network technology, SD-WAN can strengthen the edge of enterprises and quickly deploy to different points through the telecommunications industry. Dell 'Oro forecasts a 24 percent CAGR growth compound rate for global SD-WAN technology over the next five years, exceeding \$4 billion by 2025. Accton's open, software-defined networking solutions provide a range of highly flexible SD-WAN/ UCPE devices that can serve as a mid-to-high order networking computing hardware platform. These devices are powered by Intel x86 and NXP Armv8 processors with high performance, network virtualization, Crypto engine and high bandwidth throughput to support NFV services with high performance requirements. SD-WAN became an enabler of edge computing, providing branches and remote sites more quickly. The edge devices are installed on each branch and connected to the MPLS network, the Internet and other networks (Wi-Fi, LTE/5G etc.). These edge devices have also evolved into resilient UCPE (Universal Customer Premise Equipment). It provides NFV Network Functions Virtualization, security management, firewalls, and other services. SD-WAN enables software services and applications to be executed on different networks, bringing a high degree of flexibility and agility. Instead of replacing existing MPLS networks, SD-WAN can operate on top of existing networks to provide the secure, reliable enterprise-level performance that organizations require. Accton integrated solution is a combination of a variety of techniques to practice, the ability to support multiple connection circuit, can be based on the load status switching transmission path dynamically, unified operation interface in order to control, and support the VPN, WAN optimization controller (WAN), firewall and other security mechanisms, reduce exclusive bandwidth cost, at the same time can improve transmission efficiency.

Order will be netcom industry restructuring in 2021, a year COVID 2020-19, the technology factors such as war and global 5 g scale commercial, drive netcom product/technology,

industry competition bureau and business model change sharply. 5G will combine the consumer Internet with the Internet of Things, artificial intelligence, blockchain, cloud, big data, edge computing and other new technologies, comprehensively connecting all kinds of "things" to become the industrial Internet. Gartner estimates that by 2023, more than 60% of companies will see the web as central to their digital strategy, and more and more are using digital technologies such as analytics, mobile, cloud solutions, and the Internet of Things (IoT) as the foundation for business transformation. Accton combines the technology of its subsidiaries to jointly provide overall solutions for customers, and differentiates itself from other companies by differentiation. With the rapid development of cloud computing and the Internet of Things, as well as the rise of open network technologies and communities, enterprises and consumers are changing the direction of IT development, transmission and application. Edgecore provides wired and wireless networking products and solutions for data centers, telecommunications service providers, large and small business customers. Provide a full range of open 1G-400G data center open network switches and OCP certification switches, with NOS and SDN software, virtual PON OLT, indoor/outdoor wireless network base stations, as the current open software community leading network pioneer and contributor. Includes OCP, ONF, TIP, DENT and Microsoft Sonic to meet the network needs of customers in different markets. In August 2020, Edgecore released its new product -- ECCloud (Cloud Controller for Wired and Wireless Devices), a scalable network management solution that can be deployed quickly for networks of any size, simplifies the deployment, management and monitoring of single or multi-site networks, and provides a centralized platform. Unified view and control of Edgecore wired and wireless devices, thus reducing the cost and complexity of field management system installation. Ignitenet pioneered the 60GHz MMWave market and became the leader in wireless network cloud management and 60GHz millimeter microwave technology. Provide the best multi-gigabit network construction solutions for various emerging applications for telecom operators/service providers and enterprises around the world. Provide a complete cloud wireless management device solution as well as 60GHz point-to-point and point-to-multi-point solutions, including the world's first Metrolinq 10G Omni outdoor base station integrating 60GHz, 5GHz and 2.4GHz tri-band. To provide an easy to operate, flexible, low-cost enterprise wireless network and 60GHz multi-gigabit solution for small and medium enterprises and wireless network operators worldwide. Metalligence Technology Corp. 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), and provides the best solution for IoT applications in different fields combining cloud technology, energy management, Home protection, Home automation, the Smart Home service.

- Domestic patent rights (up to March 31, 2021) : 31
- Number of international patents (up to March 31, 2021) : 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

In 2019, Accton won the revenue champion of Netcom stocks. In 2020, "Top 50 Operating Performance" published by "World Magazine 2000" ranked second, and the white card switch market of cloud data center ranked first in the world. Accton is a leader in Open hardware network architecture for cloud data centers and a prominent contributor to the Open Compute Project (OCP), the first 10G switch, the first 100G switch, the first 400G switch for the Open Community, and more. Since 1988, it has developed numerous innovative products that are the first in the industry. Accton is always at the forefront of the world, and its revenue has hit a record high every year. It has become the first netcom factory in the history of Taiwan with a market value of over 100 billion yuan. These proud achievements are the pride of Accton. Accton will continue to layout 5G infrastructure including open architecture related products, open network operating system and hard equipment, the application fields cover cloud data center, enterprise network market, telecom network market, cloud data center Sonic network operating system and hardware products. Cloud switch continues to upgrade, deep plough 100G, 400G or even the future 800G, to enter the telecom white brand market and layout AI artificial intelligence products, Wi-Fi 6, Internet of Things (IoT), SD-WAN VCPE software-defined wide area network general/virtual client devices, intelligent factory and so on to develop multiple application fields. Continue to develop equipment to provide Open network architectures and software-defined network Infrastructure for the Open Compute Project (OCP) and the Telecom Infrastructure Project (TIP). To accelerate the realization of Intelligent Connectivity and Internet of Everything. Accton has been in Taiwan as a center of research and development production, technology to the deepening and expanding production increase investment opportunities for Taiwan, Taiwan is also approved by the executive yuan's first "welcome to the Taiwanese investment back action plan" issued by the qualification of the company, Accton, which is always at the forefront of the world, has advanced industrial deployment and rapid adjustment of its layout, so as to continue to master the innovative strength that dominates the world.

## (IV) Long-term and Short-term Business Development Plans

### (1) Short-Term Development Plan

- Increase market share through by intergrating technologies and providing customized products to grasp market trends and customer needs.
- Apply accumulated technology knowledge of the company to develop new product lines, work with hardware and software vendors to accelerate new product introduction and enhance product quality and reputation.
- Consolidate existing customers, actively open up the market, strengthen the partnership with existing ODM/ODM customers, and provide professional consultation, maintenance and technical support for all 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 self-owned channels to promote self-developed products and provide sales and service through its subsidiary brand (Edgecore).

- 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

### (I) 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	The year of	The year of
Sales Destination	2019(%)	2020(%)
Domestic Sales	3	2
Overseas Sales	97	98
A. America	70	69
B. Europe	18	20
C. Asia Pacific region	9	9

#### (2) Market Share

- Market research firm Dell 'Oro Group pointed out that the global data center switch market in 2020, after two consecutive quarters of single-digit decline, resumed growth in the third quarter, mainly from Europe and the Asia-Pacific region, with North America declining for four consecutive quarters. Continuing weakness among some of the major cloud service providers, particularly Facebook and (to a lesser extent) Microsoft continue to weigh on the North American market. Meanwhile, strong demand from cloud service providers such as Alibaba, Tencent, Bytedance and Kuaishou helped drive double-digit sales growth in China for the second consecutive quarter. According to Dell 'Oro's 3Q2020 Ethernet Switch Data Center report, the vendors that gained revenue were H3C, Regent, and the white box switch vendors. For the first nine months of 2020, 25 Gbps, 100 Gbps and 400 Gbps accounts for more than 50% of shipments. In 2020 in the third quarter, Cisco (Cisco) accounted for 10.4% 49.9%, Huawei, Huawei, Arista Networks, hui and 6.4% 5.1% (HPE), 5 called Juniper Networks (Juniper) accounted for 2.7%.
- RAN (Radio Access Network) : Dell 'Oro reports that Huawei will take the first place in the global RAN market in 2020, reflecting the growth of the Chinese market. Ericsson and Nokia are number one and number two in the RAN market outside of China, with Ericsson accounting for 35-40% of the total RAN market and Nokia for 25-30% of the total.
- Dell 'Oro pointed out that the impact of the epidemic has created a need for remote management, with cloud-managed Wi-Fi wireless base stations growing by 6% in 2020. However, Dell-Oro predicts that market adoption growth will be slow rather than rapid, as companies have to balance decentralized network management with maintaining control over data, and still have to resolve issues such as high wireless base station export costs and who owns the data.

#### (3) Future Supply and Demand in Market and its Growth

##### a. Data center switch

Dell 'Oro Group expects single-digit growth in Ethernet switches used in data centers in 2021, and we expect investment from large enterprises to recover as overall economic

conditions improve. The world's leading bank economists forecast positive GDP growth in 2021 and the availability of vaccines will boost confidence. Dell 'Oro predicts double-digit growth in investment from the cloud, as cloud providers other than Google and Amazon accelerate the adoption of 200/400 Gbps switches. Currently, Google and Amazon are driving the adoption of 400 Gbps switches, with 400 Gbps switches limiting the number of 400 Gbps optical transmitters available from a large but low price range. Facebook is expected to refresh the 200/400 Gbps switch adoption cycle in the first half of 2021, followed by Microsoft in the second half. However, there are uncertainties in the market. High unemployment and bankruptcies abroad could dent confidence, and large companies and small and medium-sized cloud service providers could reduce spending on network equipment.

b. Intelligent network card

Dell 'Oro expects the smart network card market to grow at a CAGR of 26 percent, from \$270 million in 2020 to \$848 million in 2024.

c. Mobile backhaul transport market

Including return devices in technology categories such as fiber/copper and wireless systems, Dell 'Oro predicts the overall mobile network return market will grow to \$25 billion from 2021 to 2025.

d. Opening up the Open radio access network (Open RAN) and telecommunications network markets

Dell 'Oro expects Open RAN(Radio Access Network) global revenue to grow by double digits over the next six years, while hardware, software and firmware (excluding services) investments are expected to reach close to \$1 billion in the 2020-2025 period. Open RAN will account for 10% of the total RAN market by 2025. Total revenue for XGS-PON devices (including OLTs and ONTs) was slightly over \$12.1 million in 2019, and Dell 'Oro expects that to grow to \$2.7 billion by 2024.

e. Enterprise Wireless LAN

Dell 'Oro Group expects the enterprise wireless local area network market to stabilize over the next five years and grow to \$9 billion as Wi-Fi becomes the must-have choice for users to connect to their end products. Expect to see Wi-Fi 6E wireless landings in the summer of 2021, though most vendors plan to offer them six to nine months later. The first products will be 2x2 instead of 4x4. Going forward, people returning to the office will be a major driver of the WLAN market.

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

a. 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, owns more than 15 OCP certified switches, proposed the first OCP 400G switch, and partnered with telecom operators to propose the industry's first open network architecture PON OLT.
- 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. In view of TIP (Telecom Infrastructure Project) Open Telecommunications Architecture Alliance, Cassini 100G fiber optic switch is specially used for data transmission and service improvement between large data centers.
- 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 passed the quality certification of ISO 9001, ISO 14000 and TL 9000, and passed 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.

## b. Development Prospect

### (a) Favorable factors

- Growth drivers in the telecom industry continue to expand: With a sharp jump in mobile device shipments, the commercialization of LTE and 5G, and the introduction of cloud computing, telecom operators are diversifying value-added services, and revenue from application bundled devices and large architectures 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, 4G /LTE infrastructure and carrier-grade Wi-Fi wireless hot spot devices, etc., drive the demand for related product upgrades. 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 leading global brands in previous years and

accumulated relevant software and hardware development technology and market introduction experience to help introduce 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.

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

(1) Important Uses of Major Products:

a. Data Center switch

This product is used in large data centers to link cloud servers, providing higher transmission rates of 10G, 40G, 100G and 400G to improve the efficiency of mass data processing.

b. Ethernet Switch

The product includes standard switches, high speed switches, and Ethernet powered (PoE) switches which are suitable for centralized network management environments.

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.

c. Wireless solutions

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

d. 5G Mobile Base Station Pass Back Router (CSR/DCSG)

The DCSG Distributed Mobile Base Station Pass Back Router will comply with the TIP DCSG specification, which is used for deployment of mobile base stations, support existing mobile base stations and new planned 5G base stations, and provide 25GbE back-up uplines. Like all open web products, DCSG offers a choice of support for a range of commercial and open source software, providing network operators with a variety of platform options.

e. Broadband Access

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

f. 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.

g. Internet of Things Series (IoT Solution)

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.

h. mmWave Solutions

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

i. SD-WAN/vCPE/uCPE solutions

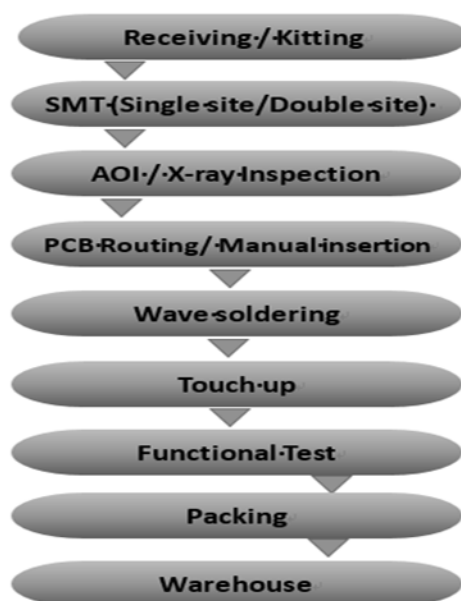
Software Defined Wide Area Network (SD-WAN) and software defines network technology use virtualization technology to simplify the management and maintenance of data centers. With this technology, enterprises can use low-cost access through network, and establish highly efficient WLAN. Therefore, expensive 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

COVID-19 epidemic spreads to the world and impacts on all of the industrial chain, China also faces the impact of comprehensive decoupling and comprehensive containment. Accton, whose base is in Taiwan, also happens to have the good opportunity, and can move the production line back to Taiwan and increase the economic value of Taiwan.

According to the tariff policy of U.S., increased 5 production lines in Taiwan in 2019, and in 2020, transferred 2 production lines from shenzhen factory of China to Miaoli south factory and upgrade its production capacity in response to orders continue to increase. Although the COVID-19 epidemic continues to spread around the world, short-term components are facing increased costs and longer delivery times, the COVID-19 vaccine will be released in 2021, the market is expecting the economic recovery all around the world, and Accton has strong bargaining and management ability in component supply, so the impact is limited. Maintains at least 2 suppliers other than the original supplier for major component delivery. For main chips and main components, Accton will provide 12 to 15 months of forecast demand to long-term partners to ensure mass production, and have strategies or cooperation agreements with key suppliers when necessary.

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 capacity optimization, and use cloud technology and artificial intelligence computing technology to connect production machine groups and robots, so that they can automatically 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.

6. Introduction of Oracle Agile PLM system - Product Lifecycle Management system in 2020

6.1 In order to meet customers' system requirements for product life cycle management, its operation process can strengthen data and management integration capabilities and provide users with a more efficient operation interface.

6.2 For integrating product/project/resource/overall cost management, it can effectively and continuously reduce costs and expenses for subsequent operations, improve overall operating efficiency, and provide customers with more competitive products and services.

(IV) 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

2019				2020				The current year up to March 31, 2021			
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	5,142,297	10%	None	A	4,863,090	9.5%	None	A	1,508,373	12%	None
Others	46,655,985	90%	None	Others	46,394,258	90.5%	None	Others	11,012,304	88%	None
Net sales	51,798,282	100%		Net sales	51,257,348	100%		Net sales	12,520,677	100%	

(2) Information of Main Sellers

Unit: NT\$ Thousand

2019				2020				The current year up to March 31, 2021			
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	Relation with Issuer
A	8,703,094	16%	None	A	7,395,202	14%	None	A	2,350,879	18%	None
B	7,597,166	14%	None	B	6,970,414	13%	None	B	1,675,891	13%	None
C	7,490,570	14%	None	C	6,408,805	12%	None	C	1,536,129	12%	None
D	6,800,332	12%	None	D	6,206,803	11%	None	D	1,511,222	11%	None
Others	24,809,885	44%	None	Others	27,481,648	50%	None	Others	6,124,258	46%	None
Net Sales	55,401,047	100%		Net Sales	54,462,872	100%		Net Sales	13,198,379	100%	



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

Year Capacity and Output Value Main Commodities (or Type)	Unit:Thousand/Pcs(EA)					
	2019			2020		
	Capacity	Output	Output Value	Capacity	Output	Output Value
Network switch	2,754,673	2,727,126	30,262,700	3,649,935	3,441,045	30,808,148
Network application equipment	2,478,904	2,454,115	7,993,482	2,558,953	2,358,405	6,727,738
Network access equipment	1,017,091	1,006,920	3,026,739	851,894	807,415	3,629,526
Broadband network equipment	2,321	2,298	5,401	—	—	—
Wireless network equipment	1,309,451	1,296,356	1,688,556	787,091	743,947	1,049,913
Others	—	—	95,207	—	—	26,525
Total	7,562,440	7,486,815	43,072,086	7,847,873	7,350,812	42,241,850

## (VI) Sales volume in the most recent two fiscal years

Year Sales Volume & Amount Main Commodities (or Type)	Unit:Thousand/Pcs(EA)							
	2019				2020			
	Domestic Sales		Overseas Sales		Domestic Sales		Overseas Sales	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Network switch	3,649	7,074	2,648,589	37,774,526	10,364	74,723	2,595,141	35,464,485
Network application equipment	10,515	3,416	1,293,546	2,071,266	2,382	1,641	2,318,520	7,674,514
Network access equipment	579	13	995,941	4,060,558	—	—	799,114	5,120,019
Broadband network equipment	353	213	2,305	11,056	—	—	—	—
Wireless network equipment	1,206	6,834	2,390,553	8,927,004	8,155	14,192	735,607	1,290,785
Others	—	9,262	—	2,529,825	—	28,271	—	1,794,242
Total	16,302	26,812	7,330,934	55,374,235	20,901	118,827	6,448,382	51,344,045

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

Year		2019	2020	The current year up to March 31,2021
Number of Employees	Manager or above	353	441	459
	Engineer	875	979	1,023
	Operator	1,313	1,447	1,468
Total		2,541	2,867	2,950
Average Age		35.97	36.30	36.20
Average Length of Service		4.40	4.62	4.67
Ratio of Academic Degree	Doctors	0.24	0.17	0.17
	Masters	16.06	17.20	17.40
	Bachelor	41.05	41.16	40.41
	College	22.59	20.23	20.78
	High school	17.12	18.24	18.71
	Below Senior High School	2.95	3.00	2.78

IV. Environment Expenditures

(I) The total amount of losses (including compensation) and penalties incurred due to environment pollution in 2020 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.

(II) Countermeasures

The company's operations are not related to the environmental pollution of air, water, poison and other industries listed by the Environmental Protection Department, but are only related to the enterprise waste disposal plan. The company proposed to the waste disposal plan by the competent authority (hsinchu science park administration, miaoli county environmental protection bureau) for approval. In addition to that, in accordance with the regulations, Class B waste treatment technician shall be set up in the factory to be responsible for the waste removal and treatment business. In addition to the related business, the quantity of waste output, storage, removal and treatment shall be declared through the network in accordance with the relevant waste disposal laws and regulations of the Environmental Protection Agency. It also entrusts qualified manufacturers approved by the environmental protection department to remove, treat and reuse the waste according to the treatment methods stated in the waste disposal plan, and there is no loss (including compensation) or punishment caused by environmental pollution.

The company continues to promote waste classification and recycling reduction, and cooperates with charity organizations (Tzu Chi) to clean up the recycled materials, effectively achieving the recycling and recycling of resources and the minimum amount of waste, thus creating a better environment for the earth.

(III) 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

CO2 Emission in the Past Two Years		
Year	2019	2020
Annual CO2 Emission	4,569 metric tons	3,928 metric tons

Note: the company implements the greenhouse gas reduction every year, the headquarter in hsinchu reduced in the year 2020 compared with the year 2019, mainly due to the reduction of production capacity and electricity consumption, the company still adheres to the goal of reducing greenhouse gas, and is moving forward towards this goal.

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. Install frequency converter and set timing control in the ventilation and ventilation system of the 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.

- (IV) 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.

In 2020, the total waste output of No.1 / Hsinchu south was 1,137.37 metric tons, of which the total amount of recycling was 1,000.11 metric tons, and the recycling utilization rate was 87.93%. The company strives to improve the recycling efficiency and adheres to the commitment of "Continuously promoting resource recycling and industrial waste reduction".

- (V) The Company has completed third-party verification of the environmental management system and greenhouse gas checking management system.

1. The company accepted the audit of TÜV SÜD verification agency, completed the revision verification of environmental management system ISO 14001:2015 in July, 2019, and obtained the revision certificate. Perform the external audit every year in accordance with the procedures.
2. The Company has accepted the certification of Bureau Veritas, and completed the organizational greenhouse gas checking management system ISO 14064-1:2018 in May, 2020 for the year of 2019 and obtained the certification statement; Perform external verification of periodic checking every year according to the procedures.

## V. Labor Relation

- (I) 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 the active implementation of thoughtful management and various benefit measures, the Company learns about employees' ideas and needs at all times through various channels for the purpose of achieving sufficient communication, solving problems effectively, and promoting harmonious relations between employer and employees. At present, relevant measures are as follows:

#### 1. Benefit Measures and Their Implementation Condition

- (1) In addition to general benefits such as labor health insurance and pension benefits, the additional benefits provided by the Company include: employee group insurance, family member accident insurance, major injury and scald insurance, and new insurance against first-time cancer and death of cancer, etc. 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) The Company establishes the Employee Welfare Committee in accordance with the law, selects the welfare committee members to handle the employee welfare related operations, and sets annual plans and budgets every year to provide marriage, birth, hospitalization and funeral subsidies, including: Gift voucher for annual festival, birthday gift voucher, organizing group activities and travel, family day, community activities, volunteer activities, ball games or physical competition, special manufacturers, film screening and life aesthetics 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 0 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 Reeducation and Talents Training and Development

The company attaches great importance to talent development and cultivation. Training programs include six categories: new employees, specialty, work efficiency, quality, environmental safety and management. Actively cultivate internal lecturers to build the learning organizational culture. Set up the dedicated training classroom - "Accton College" to offer physical courses. "LMS Online Learning Management System" provides a faster and more convenient Learning platform for colleagues. Focus on the direct staff pre-service training, set up the dedicated simulation training center. Make ethics training for employees, and new colleagues should take it as the compulsory course, and its content including the prohibiting insider trading, the good faith management, and corporate social responsibility which are explained by cases, and announce company regulations. In 2020, A total of 715 people received the training, and the teaching material lasted for 0.5 hours, 357.5 hours in total, and the completion rate was 100%. In addition, the authority and responsibility unit publicized the case on the company's home page from time to time to remind all colleagues to

comply with the norms. The company will also provide training of sending out and training subsidy (the maximum subsidy ratio: 100%) according to job requirements. In order to strengthen the language competitiveness, we provide each employee with the fixed amount of foreign language training subsidy every year to help them improve their personal performance 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 the 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) Provide staff with the diversified feedback system, including bulletin board (BBS), internal network (ACCPORTAL) and physical staff feedback mailbox, so as to encourage staff to give suggestions on operation or management measures, so that the voices and expectations of junior staff can be directly reflected to senior managers for reference of continuous improvement and corporate governance. At the same time, also set up the special line for employees to complain: (03)577-0270 extension 3119, and set up E-mail address for employees to complain: hr885@accton.com, so as to continue to create the smooth communication channel for employees. For foreign employees, also have bilingual professionals responsible for daily coordination and communication, and create the culture of communication without obstruction.

(II) 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

#### (I) 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 Mar. 31, 2021
	2016	2017	2018	2019	2020	
Current Assets	16,185,953	17,444,289	20,873,566	27,048,534	28,440,301	31,071,467
Property, Plant and Equipment	920,301	866,905	966,604	1,324,280	1,502,317	1,457,607
Intangible Assets	36,119	36,477	34,402	53,527	74,442	91,334
Other Assets	361,478	399,347	503,755	1,094,746	1,105,909	1,175,547
Total Assets	17,503,851	18,747,018	22,378,327	29,521,087	31,122,969	33,795,955
Current Liabilities	Before Distribution 8,638,433	9,068,148	12,068,256	15,237,848	14,831,457	16,419,184
	After Distribution 10,332,966	11,367,805	14,298,940	18,700,581	Not distributed yet	Not distributed yet
Non-current Liabilities	26,684	30,289	31,475	1,480,262	1,808,439	1,785,349
Total liabilities	Before Distribution 8,665,117	9,098,437	12,099,731	16,718,110	16,639,896	18,204,533
	After Distribution 10,359,650	11,398,094	14,330,415	20,180,843	Not distributed yet	Not distributed yet
Equity Attributable to Owners of Parent Companies	8,812,437	9,641,807	10,271,902	12,800,387	14,480,340	15,591,422
Share Capital	5,454,429	5,544,949	5,575,899	5,580,514	5,594,564	5,594,674
Capital Reserve	725,710	776,739	795,148	805,715	824,883	827,658
Retained Earnings	Before Distribution 2,745,603	3,606,245	4,259,345	7,003,401	8,585,113	9,708,049
	After Distribution 1,051,070	1,306,588	2,028,661	3,540,668	Not distributed yet	Not distributed yet
Other Equity	(62,306)	(235,127)	(307,491)	(538,244)	(473,221)	(487,960)
Treasury Stock	(50,999)	(50,999)	(50,999)	(50,999)	(50,999)	(50,999)
Non-controlling Equity	26,297	6,774	6,694	2,590	2,733	—
Total Equity	Before Distribution 8,838,734	9,648,581	10,278,596	12,802,977	14,483,073	15,591,422
	After Distribution 7,144,201	7,348,924	8,047,912	9,340,244	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 2020.

Individual Condensed Balance Sheet Based on International Financial Reporting Standards

Unit: NT\$1,000

Year  Items		Financial Information of the Most Recent Five Years					Financial Information of Current Year as of Mar. 31, 2021
		2016	2017	2018	2019	2020	
Current Assets		11,943,033	13,071,113	16,321,680	22,132,291	24,312,700	—
Property, Plant and Equipment		388,827	405,538	448,783	894,509	1,132,928	—
Intangible Assets		29,023	33,969	32,385	49,263	70,933	—
Other Assets		6,171,868	6,284,926	6,233,656	7,096,306	6,964,412	—
Total Assets		18,532,751	19,795,546	23,036,504	30,172,369	32,480,973	—
Current Liabilities	Before Distribution	9,626,427	10,126,860	12,736,445	15,945,706	16,380,230	—
	After Distribution	11,320,960	12,426,517	14,967,129	19,408,439	Not distributed yet	—
Non-current Liabilities		93,887	26,879	28,157	1,426,276	1,620,403	—
Total liabilities	Before Distribution	9,720,314	10,153,739	12,764,602	17,371,982	18,000,633	—
	After Distribution	11,414,847	12,453,396	14,995,286	20,834,715	Not distributed yet	—
Share Capital		5,454,429	5,544,949	5,575,899	5,580,514	5,594,564	—
Capital Reserve		725,710	776,739	795,148	805,715	824,883	—
Retained Earnings	Before Distribution	2,745,603	3,606,245	4,259,345	7,003,401	8,585,113	—
	After Distribution	1,051,070	1,306,588	2,028,661	3,540,668	Not distributed yet	—
Other Equity		(62,306)	(235,127)	(307,491)	(538,244)	(473,221)	—
Treasury Stock		(50,999)	(50,999)	(50,999)	(50,999)	(50,999)	—
Total Equity	Before Distribution	8,812,437	9,641,807	10,271,902	12,800,387	14,480,340	—
	After Distribution	7,117,904	7,342,150	8,041,218	9,337,654	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 2020.

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

Unit: NT\$1,000

Annual Items	Financial Information of the Most Recent Five Years					Financial Information of Current Year as of Mar. 31, 2021
	2016	2017	2018	2019	2020	
Operating Revenue	29,368,753	36,446,757	43,092,155	55,401,047	54,462,872	13,198,379
Gross Profit	6,006,003	7,186,035	7,780,097	10,998,762	11,554,062	2,533,059
Operating Income (Loss)	2,424,571	3,254,205	3,472,708	6,039,983	6,402,663	1,201,619
Non-operating Income and Expenses	67,403	(16,127)	225,031	89,662	(189,768)	171,054
Net Profit Before Tax	2,491,974	3,238,078	3,697,739	6,129,645	6,212,895	1,372,673
Income from Continuing Operations	1,887,499	2,554,529	2,952,181	4,949,572	5,048,640	1,122,935
Loss on Discontinued Operations	—	—	—	—	—	—
Net Profit (Loss) for the Period	1,887,499	2,554,529	2,952,181	4,949,572	5,048,640	1,122,935
Other Comprehensive Income (Net Value After Tax) for the Period	(346,649)	(177,759)	(74,110)	(209,689)	60,972	(14,739)
Total Comprehensive Income for the Period	1,540,850	2,376,770	2,878,071	4,739,883	5,109,612	1,108,196
Net Profit Attributable to Owners of Parent Companies	1,887,913	2,559,307	2,952,449	4,950,495	5,048,353	1,122,936
Net profit Attributable to Non-controlling Interests	(414)	(4,778)	(268)	(923)	287	(1)
Total Comprehensive Income Attributable to Owners of Parent Companies	1,541,402	2,382,354	2,878,151	4,743,987	5,109,469	1,108,197
Total Comprehensive Income Attributable to Non-controlling Interests	(552)	(5,584)	(80)	(4,104)	143	(1)
Earnings Per Share	3.51	4.68	5.33	8.91	9.07	2.02

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 2020.



Individual Condensed Comprehensive Income Statement Based on International Financial Reporting Standards

Unit: NT\$1,000

Annual Items	Financial Information of the Most Recent Five Years					Financial Information of Current Year as of Mar. 31, 2021
	2016	2017	2018	2019	2020	
Operating Revenue	26,160,977	34,024,675	41,218,729	49,953,689	51,270,498	—
Gross Profit	3,987,389	4,900,916	5,500,909	8,242,831	9,466,769	—
Operating Income (Loss)	1,649,726	2,186,698	2,391,699	4,604,977	5,746,084	—
Non-operating Income and Expenses	521,032	700,451	966,940	1,196,553	359,149	—
Net Profit Before Tax	2,170,758	2,887,149	3,358,639	5,801,530	6,105,233	—
Curent Net Profit from Continuing Operations	1,887,913	2,559,307	2,952,449	4,950,495	5,048,353	—
Loss on Discountinued Operations	—	—	—	—	—	—
Net Profit (Loss) for the Period	1,887,913	2,559,307	2,952,449	4,950,495	5,048,353	—
Other Comprehensive Income (Net Value After Tax) for the Period	(346,511)	(176,953)	(74,298)	(206,425)	61,116	—
Total Comprehensive Income for the Period	1,541,402	2,382,354	2,878,151	4,743,987	5,109,469	—
Earnings Per Share	3.51	4.68	5.33	8.91	9.07	—

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 2020.

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

Annual	Accounting Firm	Name of CPA	Audit 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
2020	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

	Annual Analysis Items	Financial Analysis for the Most Recent Five Years					Current Year as of Mar. 31, 2021
		2016	2017	2018	2019	2020	
Financial structure (%)	Debt Ratio	49.50	48.53	54.07	56.63	53.47	53.87
	Ratio of long-term funds to the property, plant and equipment Ratio	960.42	1,112.99	1,063.37	1,036.31	1,041.49	1,149.78
Debt service ability %	Current Ratio	187.37	192.37	172.96	177.51	191.76	189.24
	Quick Ratio	143.59	126.29	106.70	118.94	134.13	123.09
	Interest Coverage Ratio	—	55,829.93	1,311.33	336.17	164.09	140.61
Operating Ability	Receivables Turnover Ratio (Times)	7.62	7.10	6.12	7.41	6.89	6.47
	Average Collection Days	47.90	51.41	59.64	49.27	52.97	56.41
	Inventory Turnover Ratio (Times)	6.47	6.25	5.20	5.37	5.08	4.67
	Payables Turnover Ratio (Times)	4.08	4.64	4.69	4.75	4.62	4.46
	Average Inventory Turnover Days	56.41	58.40	70.19	67.95	71.85	78.15
	Property, Plant and Equipment Turnover Ratio (Times)	29.54	40.79	47.01	48.37	38.54	35.67
	Total Asset Turnover Ratio (Times)	1.81	2.01	2.10	2.13	1.80	1.63
	Return on Assets (%)	11.62	14.12	14.37	19.13	16.75	13.93
Profitability	Return on Equity (%)	22.18	27.69	29.63	42.90	37.00	29.87
	Net Profit Before Tax to Paid-up Capital Ratio (%)	45.69	58.40	66.32	109.84	111.05	98.14
	Net Profit Ratio (%)	6.43	7.02	6.85	8.94	9.27	8.51
	Earnings per share (NT\$)	3.51	4.68	5.33	8.91	9.07	2.02
Cash Flow	Cash Flow Ratio (%)	42.25	(11.78)	17.03	56.51	23.41	11.31
	Cash Flow Adequacy Ratio (%)	98.76	41.76	34.46	51.81	35.84	30.17
	Cash Flow Reinvestment Ratio (%)	23.13	(22.89)	(1.91)	37.63	0.12	9.15
Leverage	Operating Leverage	2.29	2.07	2.13	1.83	1.89	2.22
	Financial Leverage	1.00	1.00	1.00	1.00	1.01	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 interest expenses.

2. Decrease in the turnover rate (times) of property, plant and equipment: due to the increase in purchase of equipment.

3. Decrease in cash flow: Due to the increase in accounts receivable and inventory.

## 2. Individual Financial Analysis Based on International Financial Reporting Standards

Annual		Financial Analysis for the Most Recent Five Years					Current Year as of Mar. 31, 2021
Analysis Items		2016	2017	2018	2019	2020	
Financial Structure (%)	Debt Ratio	52.45	51.29	55.41	57.58	55.42	—
	Ratio of long-term funds to the property, plant and equipment ratio	2,266.42	2,377.53	2,288.83	1,533.92	1,380.57	—
Debt service Ability %	Current Ratio	124.07	129.07	128.15	138.80	148.43	—
	Quick Ratio	106.63	98.94	98.51	106.38	114.37	—
	Interest coverage ratio	—	49,779.43	1,192.85	440.08	214.21	—
Operating Ability	Receivables Turnover Ratio (Times)	6.39	6.20	5.45	5.88	5.47	—
	Average Collection Days	57.12	58.89	66.99	62.09	66.77	—
	Inventory Turnover Ratio (Times)	14.77	12.54	10.65	9.58	7.93	—
	Payables Turnover Ratio (Times)	3.16	3.49	3.73	3.77	3.66	—
	Average Inventory Turnover Days	24.72	29.11	34.26	38.09	46.05	—
	Property, Plant and Equipment Turnover Ratio (Times)	67.23	85.67	96.49	74.38	50.58	—
	Total Assets Turnover Ratio (Times)	1.55	1.78	1.92	1.88	1.64	—
Profitability	Return on Assets (%)	11.18	13.35	13.80	18.65	16.19	—
	Return on Equity (%)	22.23	27.74	29.65	42.91	37.01	—
	Net Profit Before Tax to Paid-up Capital Ratio (%)	39.80	52.07	60.23	103.96	109.13	—
	Net Profit Ratio (%)	7.22	7.52	7.16	9.91	9.85	—
	Earnings Per Share (NT\$)	3.51	4.68	5.33	8.91	9.07	—
Cash Flow	Cash Flow Ratio (%)	25.76	3.14	16.19	46.99	18.26	—
	Cash Flow Adequacy Ratio (%)	81.27	45.49	44.41	54.71	36.55	—
	Cash Flow Reinvestment Ratio (%)	14.43	(12.96)	(2.10)	34.31	(2.70)	—
Leverage	Operating Leverage	2.12	1.92	1.97	1.65	1.70	—
	Financial Leverage	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 interest expenses.
2. Decrease in the turnover rate (times) of property, plant and equipment: due to the increase in purchase of equipment.
3. Decrease in cash flow: Due to the increase in accounts receivable and inventory.

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  $\times$  (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 2020 by Audit Committee

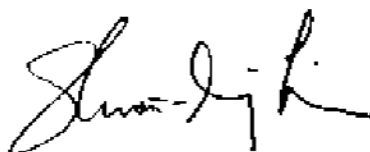
#### Accton Technology Corporation 2020 Audit Committee's Review Report

The Board of Directors has prepared and submitted Accton's 2020 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,

2021 Regular Meeting of Accton's Board of Shareholders

Convener of Audit Committee: Lin, Shiou-Ling

A handwritten signature in black ink, appearing to read 'Shiou-Ling', is positioned below the name of the convener.

Mar. 18, 2021

#### 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, 2020 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



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Kuo Fai-Long  
Chairman

March 18, 2021

## 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, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and 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, 2020 and 2019, 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, 2020. 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, 2020 are stated as follows:

#### Revenue recognition

For the year ended December 31, 2020, the Group's net operating revenue was NT\$54,462,872 thousand. Refer to Notes 4 and 24 to the consolidated financial statements for detailed information on accounting policies on revenue.

We evaluated the operating revenue of some of the major customers of the Company and its subsidiaries, which have grown significantly compared to 2019. Therefore, we considered the occurrence of operating revenue as a key audit matter.

Our audit procedures performed in respect of the above key audit matter included the following:

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

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



2. We selected appropriate samples from sales and inspected that purchase orders and delivery orders were consistent with invoices.
3. We selected samples of revenue details and confirmed that actual receipts and certificate of remittances were consistent with the recorded amount; we examined relevant documents and checked the credit period of receivables that had not been received.

### **Other Matter**

We have also audited the parent company only financial statements of the Group as of and for the years ended December 31, 2020 and 2019 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.

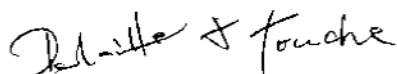
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of 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, 2020 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 audits resulting in this independent auditors' report are Cheng Chih Lin and Yu Feng Huang.



Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 18, 2021

#### Notice to Readers

*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, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 32)	\$ 4,894,509	16	\$ 6,221,855	21
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 32)	2,413,955	8	315,232	1
Financial assets at fair value through other comprehensive income - current (Notes 4, 8 and 32)	192,943	1	173,445	1
Financial assets at amortized cost - current (Notes 4, 9 and 32)	3,197,704	10	4,288,364	14
Notes and trade receivables, net (Notes 4, 5 and 10)	8,847,386	28	6,968,202	24
Trade receivables from related parties (Notes 4, 5 and 33)	376	-	2,858	-
Other receivables (Notes 4, 10 and 26)	337,084	1	143,217	-
Other receivables from related parties (Notes 4 and 33)	9,815	-	10,558	-
Inventories (Notes 4, 5 and 11)	8,179,022	26	8,716,933	30
Prepayments (Note 18)	356,477	1	183,710	1
Other current assets	11,030	-	24,160	-
Total current assets	28,440,301	91	27,048,534	92
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 32)	136,757	1	186,740	1
Financial assets at amortized cost (Notes 4, 9 and 32)	-	-	30,292	-
Investments accounted for using the equity method (Notes 4 and 13)	12,929	-	14,369	-
Property, plant and equipment (Notes 4 and 14)	1,502,317	5	1,324,280	5
Right-of-use assets (Notes 4 and 15)	740,798	3	610,721	2
Goodwill (Notes 4 and 16)	1,930	-	1,930	-
Intangible assets (Notes 4 and 17)	74,442	-	53,527	-
Deferred tax assets (Notes 4 and 26)	78,510	-	50,438	-
Prepayments for equipment	21,856	-	93,156	-
Refundable deposits (Note 32)	66,427	-	45,334	-
Other non-current assets (Notes 18 and 34)	46,702	-	61,766	-
Total non-current assets	2,682,668	9	2,472,553	8
TOTAL	\$ 31,122,969	100	\$ 29,521,087	100

LIABILITIES AND EQUITY	2020		2019	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Contract liabilities - current (Notes 4 and 24)	\$ 958,519	3	\$ 592,137	2
Trade payables	8,639,267	28	9,935,396	34
Bonuses to employees and directors (Note 25)	1,031,443	3	980,731	3
Payables to machinery and equipment	104,220	-	129,601	1
Other payables (Note 20)	2,420,184	8	2,587,222	9
Other payables to related parties (Note 33)	1,867	-	2,270	-
Current tax liabilities (Notes 4 and 26)	1,349,251	4	779,000	3
Provisions - current (Notes 4 and 21)	84,389	-	45,966	-
Lease liabilities - current (Notes 4 and 15)	170,641	1	129,095	-
Deferred revenue - current (Notes 19 and 29)	11,075	-	8,317	-
Refund liabilities - current (Note 24)	60,601	-	48,113	-
Total current liabilities	14,831,457	47	15,237,848	52
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 19 and 29)	1,163,470	4	920,639	3
Lease liabilities - non-current (Notes 4 and 15)	566,944	2	471,466	2
Deferred revenue - non-current (Notes 19 and 29)	48,094	-	44,044	-
Net defined benefit liabilities - non-current (Notes 4 and 22)	29,115	-	27,433	-
Guarantee deposits (Note 32)	816	-	4,414	-
Other non-current liabilities	-	-	12,266	-
Total non-current liabilities	1,808,439	6	1,480,262	5
Total liabilities	16,639,896	53	16,718,110	57
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 23 and 28)				
Share capital				
Ordinary shares	5,594,564	18	5,580,514	19
Capital surplus	824,883	3	805,715	3
Retained earnings				
Legal reserve	1,843,206	6	1,348,157	4
Special reserve	538,244	2	307,492	1
Unappropriated earnings	6,203,663	20	5,347,752	18
Total retained earnings	8,585,113	28	7,003,401	23
Other equity	(473,221)	(2)	(538,244)	(2)
Treasury shares	(50,999)	-	(50,999)	-
Total equity attributable to owners of the Company	14,480,340	47	12,800,387	43
NON-CONTROLLING INTERESTS (Notes 4 and 23)	2,733	-	2,590	-
Total equity	14,483,073	47	12,802,977	43
TOTAL	\$ 31,122,969	100	\$ 29,521,087	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, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 24 and 33)	\$54,462,872	100	\$ 55,401,047	100
OPERATING COSTS (Notes 4, 11, 22, 25 and 33)	<u>42,908,810</u>	<u>79</u>	<u>44,402,285</u>	<u>80</u>
GROSS PROFIT	<u>11,554,062</u>	<u>21</u>	<u>10,998,762</u>	<u>20</u>
OPERATING EXPENSES (Notes 4, 10, 22 and 25)				
Selling and marketing	1,498,120	3	1,521,790	3
General and administrative	1,492,319	2	1,446,130	3
Research and development	2,163,639	4	1,993,443	3
Expected credit gain	<u>(2,679 )</u>	<u>-</u>	<u>(2,584)</u>	<u>-</u>
Total operating expenses	<u>5,151,399</u>	<u>9</u>	<u>4,958,779</u>	<u>9</u>
OPERATING INCOME	<u>6,402,663</u>	<u>12</u>	<u>6,039,983</u>	<u>11</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 13, 25 and 33)				
Interest income	90,044	-	99,913	-
Other income	156,016	-	123,961	-
Other gains and losses	(396,294 )	(1)	(113,715)	-
Finance costs	(38,094 )	-	(18,288)	-
Share of loss of associates	<u>(1,440 )</u>	<u>-</u>	<u>(2,209)</u>	<u>-</u>
Total non-operating income and expenses	<u>(189,768 )</u>	<u>(1)</u>	<u>89,662</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	6,212,895	11	6,129,645	11
INCOME TAX EXPENSE (Notes 4 and 26)	<u>1,164,255</u>	<u>2</u>	<u>1,180,073</u>	<u>2</u>
NET INCOME FOR THE YEAR	<u>5,048,640</u>	<u>9</u>	<u>4,949,572</u>	<u>9</u>
OTHER COMPREHENSIVE INCOME (Notes 4, 22 and 23)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(3,907 )	-	539	-
Unrealized gain (loss) on investment in equity instruments at fair value through other comprehensive income	26,754	-	12,389	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>38,125</u>	<u>-</u>	<u>(222,617)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>60,972</u>	<u>-</u>	<u>(209,689)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 5,109,612</u>	<u>9</u>	<u>\$ 4,739,883</u>	<u>9</u>

(Continued)

# ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<b>2020</b>		<b>2019</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 5,048,353	9	\$ 4,950,495	9
Non-controlling interests	<u>287</u>	<u>-</u>	<u>(923)</u>	<u>-</u>
	<u>\$ 5,048,640</u>	<u>9</u>	<u>\$ 4,949,572</u>	<u>9</u>
TOTAL COMPREHENSIVE INCOME (LOSS)				
ATTRIBUTABLE TO:				
Owners of the Company	\$ 5,109,469	9	\$ 4,743,987	9
Non-controlling interests	<u>143</u>	<u>-</u>	<u>(4,104)</u>	<u>-</u>
	<u>\$ 5,109,612</u>	<u>9</u>	<u>\$ 4,739,883</u>	<u>9</u>
EARNINGS PER SHARE (Note 27)				
Basic	<u>\$ 9.07</u>		<u>\$ 8.91</u>	
Diluted	<u>\$ 8.98</u>		<u>\$ 8.76</u>	

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, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company										
	Share Capital	Capital Surplus	Retained Earnings			Other Equity		Treasury Shares	Total	Non-controlling Interests	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
BALANCE AT JANUARY 1, 2019	\$ 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
Other changes in capital surplus											
Cash dividends received by subsidiaries from parent company	-	15,683	-	-	-	-	-	-	15,683	-	15,683
Appropriation of 2019 earnings											
Legal reserve	-	-	495,049	-	(495,049)	-	-	-	-	-	-
Special reserve	-	-	-	230,752	(230,752)	-	-	-	-	-	-
Special reserve	-	-	-	-	(3,462,734)	-	-	-	(3,462,734)	-	(3,462,734)
Net profit for the year ended December 31, 2020	-	-	-	-	5,048,353	-	-	-	5,048,353	287	5,048,640
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(3,907)	38,269	26,754	-	61,116	(144)	60,972
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	5,044,446	38,269	26,754	-	5,109,469	143	5,109,612
Share-based payment arrangements	14,050	3,485	-	-	-	-	-	-	17,535	-	17,535
BALANCE AT DECEMBER 31, 2020	<u>\$ 5,594,564</u>	<u>\$ 824,883</u>	<u>\$ 1,843,206</u>	<u>\$ 538,244</u>	<u>\$ 6,203,663</u>	<u>\$ (454,339)</u>	<u>\$ (18,882)</u>	<u>\$ (50,999)</u>	<u>\$ 14,480,340</u>	<u>\$ 2,733</u>	<u>\$ 14,483,073</u>

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, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 6,212,895	\$ 6,129,645
Adjustments for:		
Depreciation	636,471	508,342
Amortization	38,527	30,980
Expected credit gain	(2,679)	(2,584)
Net loss on fair value changes of financial assets designated as at fair value through profit or loss	27,621	19,529
Finance costs	38,094	18,288
Interest income	(90,044)	(99,913)
Dividend income	(9,797)	(8,937)
Share of loss of associates	1,440	2,209
Loss (gain) on disposal of property, plant and equipment	878	(436)
Loss (gain) on disposal of subsidiaries	48	(3,337)
(Reversal) write-downs of inventories	(24,231)	28,819
Unrealized (gain) loss on foreign currency exchange	(69,700)	11,749
Amortization of grant revenue	(10,761)	(2,576)
(Gain) loss on lease modification	(39)	231
Changes in operating assets and liabilities		
Notes and trade receivables	(1,850,351)	931,985
Trade receivables from related parties	2,475	2,729
Other receivables	(204,239)	46,130
Other receivables from related parties	743	3,122
Inventories	562,142	(931,462)
Prepayments	(172,767)	(22,747)
Other current assets	13,130	(3,683)
Contract liabilities	366,382	210,123
Trade payables	(1,328,206)	1,293,711
Other payables	(69,229)	1,629,723
Other payables to related parties	(403)	(1,091)
Provisions	38,502	(98,575)
Refund liabilities	12,488	(80,317)
Net defined benefit liabilities	(2,225)	(634)
Cash generated from operations	4,117,165	9,611,023
Interest paid	(22,684)	(15,651)
Income tax paid	(622,076)	(984,135)
Net cash generated from operating activities	<u>3,472,405</u>	<u>8,611,237</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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	(10,174,508)	(4,454,449)

(Continued)

# ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Proceeds from sale of financial assets at amortized cost	\$ 11,292,639	\$ 392,904
Purchase of financial assets at fair value through profit or loss	(4,740,092)	(2,749,929)
Proceeds from sale of financial assets at fair value through profit or loss	2,663,731	2,434,334
Net cash outflow on disposal of subsidiaries	(3,747)	(45)
Acquisition of property, plant and equipment	(581,114)	(779,197)
Proceeds from disposal of property, plant and equipment	2,842	3,350
(Increase) decrease in refundable deposits	(21,093)	3,896
Acquisition of intangible assets	(59,415)	(50,261)
Proceeds from disposal of intangible assets	-	82
Decrease in other financial assets	15,064	4,556
Interest received	97,574	87,821
Dividends received	9,797	8,937
Net cash used in from investing activities	<u>(1,498,322)</u>	<u>(5,063,185)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	2,700,000	100,000
Repayments of short-term borrowings	(2,700,000)	(100,000)
Proceeds from long-term borrowings	345,000	1,073,000
Repayments of long-term borrowings	(100,000)	(100,000)
(Decrease) increase in guarantee deposits	(3,669)	3,658
Repayments of the principal portion of lease liabilities	(179,613)	(145,216)
Dividends paid to owners of the Company	(3,449,054)	(2,221,848)
Employee share options	17,535	6,346
Net cash used in financing activities	<u>(3,369,801)</u>	<u>(1,384,060)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>68,372</u>	<u>(237,953)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,327,346)	1,926,039
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>6,221,855</u>	<u>4,295,816</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 4,894,509</u>	<u>\$ 6,221,855</u>

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

(Concluded)



# ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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#### 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 18, 2021.

#### 3. APPLICATION OF NEW AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to 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).

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
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, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

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. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be measured at fair value. Other types of non-controlling interests are measured at fair value.

f. 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.

g. 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. The 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.

h. 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's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

i. 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 effects of any changes in the estimates 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.

j. Goodwill

Goodwill arising from the acquisition of a business is measured 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") that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever 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 pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any 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 which is 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.

k. 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.

l. Impairment of property, plant, and equipment, right-of-use asset and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant, and equipment, right-of-use asset 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.

m. Financial instruments

Financial assets and financial liabilities are recognized when an entity in the Group 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 assets are 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 assets 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 maturities 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 asset that is not credit impaired on purchase or origination but has 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 an entity in the Group 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.

n. 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.

### o. 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 advance 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.

### p. Leasing

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.

q. 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 related to income are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs that the grants intend 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.

r. 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 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 in which 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.

s. 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.

t. Taxation

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

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain 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 are 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

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.

### u. 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 Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised if the revisions affect only that year or in the year of the revision and future years if the revisions affect both current and future years.

### 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.

## 6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	\$ 1,610	\$ 1,417
Checking accounts and demand deposits	3,544,903	4,214,516
Cash equivalents		
Time deposits with original maturities of less than 3 months	892,316	2,005,922
Repurchase agreements collateralized by bonds	<u>455,680</u>	<u>-</u>
	<u>\$ 4,894,509</u>	<u>\$ 6,221,855</u>

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

	December 31	
	2020	2019
Bank balance	0.001%-1.958%	0.001%-2.330%
Repurchase agreements collateralized by bonds	0.400%	-

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2020	2019
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	\$ 2,128,757	\$ 315,232
Hybrid financial assets		
Structured deposits (a)	284,818	-
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts (b)	<u>380</u>	<u>-</u>
	<u>\$ 2,413,955</u>	<u>\$ 315,232</u>

### Financial assets at FVTPL - non-current

Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic and foreign unlisted shares	<u>\$ 136,757</u>	<u>\$ 186,740</u>

- The Group entered into a 3-month structured time deposit contract with a bank in 2020. The structured time deposit contract includes an embedded derivative instrument which is not closely related to the host contract. The entire contract was assessed and mandatorily classified as at FVTPL since it contained a host that is an asset within the scope of IFRS 9.
- At the end of the year, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2020</u>			
Foreign exchange forward	USD/RMB	2021.01.11-2021.02.25	USD 13,000/RMB 85,235

The Group entered into derivative contracts to manage exposures due to fluctuations of foreign exchange rates. The derivative contracts entered into by the Group did not meet the criteria for hedge accounting. Therefore, the Group did not apply hedge accounting treatment for derivative contracts.

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	2020	2019
<u>Current</u>		
Domestic and foreign investments		
Listed shares and emerging market shares	\$ <u>192,943</u>	\$ <u>173,445</u>

These investments in equity instruments are not held for trading. Instead, they are held for 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

	<u>December 31</u>	
	2020	2019
<u>Current</u>		
Time deposits with original maturity of more than 3 months (a)	\$ 3,197,704	\$ 4,262,976
Bond investment (b)	<u>-</u>	<u>25,388</u>
	<u>\$ 3,197,704</u>	<u>\$ 4,288,364</u>
<u>Non-current</u>		
Bond investment (b)	<u>\$ -</u>	<u>\$ 30,292</u>

- The ranges of interest rates for time deposits with original maturities of more than 3 months were 0.19%-1.76% and 0.25%-2.37% per annum as of December 31, 2020 and 2019, respectively.
- 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 expired 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%. The bonds were redeemed early on August 17, 2020.

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%. The bonds were redeemed early on August 17, 2020.

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

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

## 10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2020	2019
<u>Notes receivable</u>		
Notes receivable - operating	\$ 3,422	\$ 3,667
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 8,859,776	\$ 6,991,505
Less: Allowance for impairment loss	(15,812)	(26,970)
	<u>\$ 8,843,964</u>	<u>\$ 6,964,535</u>
<u>Other receivables</u>		
At amortized cost		
Gross carrying amount	\$ 340,130	\$ 146,263
Less: Allowance for impairment loss	(3,046)	(3,046)
	<u>\$ 337,084</u>	<u>\$ 143,217</u>

### a. Notes and 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, 2020

	Not Past Due	Less than 60 Days	61 to 180 Days	Over 180 Days	Total
Gross carrying amount	\$ 8,489,798	\$ 358,037	\$ 1,854	\$ 10,087	\$ 8,859,776
Loss allowance (Lifetime ECL)	<u>-</u>	<u>(5,507)</u>	<u>(218)</u>	<u>(10,087)</u>	<u>(15,812)</u>
Amortized cost	<u>\$ 8,489,798</u>	<u>\$ 352,530</u>	<u>\$ 1,636</u>	<u>\$ -</u>	<u>\$ 8,843,964</u>

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)	<u>-</u>	<u>(757)</u>	<u>(2,773)</u>	<u>(23,440)</u>	<u>(26,970)</u>
Amortized cost	<u>\$ 6,625,260</u>	<u>\$ 320,782</u>	<u>\$ 18,493</u>	<u>\$ -</u>	<u>\$ 6,964,535</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Balance at January 1	\$ 26,970	\$ 38,189
Add: Amounts recovered	(2,679)	(2,584)
Less: Amounts written off	(8,623)	(8,399)
Foreign exchange gains and losses	<u>144</u>	<u>(236)</u>
Balance at December 31	<u>\$ 15,812</u>	<u>\$ 26,970</u>

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:

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Balance at January 1 and December 31	<u>\$ 3,046</u>	<u>\$ 3,046</u>

As of December 31, 2020 and 2019, 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	
	2020	2019
Merchandise	\$ 2,455,755	\$ 2,457,804
Finished goods	884,247	1,489,209
Work in process	714,955	550,780
Raw materials	<u>4,124,065</u>	<u>4,219,140</u>
	<u>\$ 8,179,022</u>	<u>\$ 8,716,933</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 was \$42,908,810 thousand and \$44,402,285 thousand, respectively. The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 a reversal of write-downs of \$24,231 thousand and an inventory write-downs of \$28,819 thousand.

## 12. SUBSIDIARIES INCLUDED IN CONSOLIDATED FINANCIAL STATEMENTS

Investor	Investee	Main Business	% of Ownership December 31		Remark
			2020	2019	
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%	-
	Accton Global Inc. ("Accton Global")	Sell high-quality LAN hardware and software products	100%	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 and information technology	100%	100%	-
	Metalligence Technology Corp. ("Metalligence")	Provides e-commerce apps, information software and advertising services	100%	100%	-
Accton Century	4ipnet, Inc.	Research, development, manufacture and selling of wireless products and solutions for enterprises	98%	98%	-
	Accton Asia Investment Corp. ("Accton Asia")	Investment holding company	100%	100%	-
	Joy Technology (Shenzhen) Co., Ltd. ("Joy Tech.")	Selling and producing of high-end network switches	100%	100%	-
	Accton Technology Co., Ltd. ("Accton SH")	Sale of network products.	100%	100%	-
Accton SH	MuXi Technology Co., Ltd. ("MuXi")	Sale of network products	100%	-	Note 2
Edgecore Networks	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%	100%	-
Edgecore Cayman	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%	Note 3

Note 1: On April 10, 2020, the board of directors resolved to rename Edgecore USA Corp. to Accton Global Inc.

Note 2: In September 30, 2020, MuXi Technology., Ltd. completed its registration of establishment.

Note 3: In April 2019, Accton Vietnam completed its liquidation procedures.

### 13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Associates that are not individually material	<u>\$ 12,929</u>	<u>\$ 14,369</u>

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	<b>December 31</b>	
			<b>2020</b>	<b>2020</b>
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.

### 14. PROPERTY, PLANT AND EQUIPMENT

#### a. Assets used by the Group

	<b>Buildings</b>	<b>Machinery and Equipment</b>	<b>Molding Equipment</b>	<b>Testing Equipment</b>	<b>Transportation Equipment</b>	<b>Office Equipment</b>	<b>Leasehold Improvements</b>	<b>Other Equipment</b>	<b>Total</b>
<b>Cost</b>									
Balance at January 1, 2020	\$ 392,007	\$ 2,073,937	\$ 340,324	\$ 475,949	\$ 42,104	\$ 166,209	\$ 297,621	\$ 231,343	\$ 4,019,494
Additions	25,868	182,853	58,469	64,013	7,450	66,442	154,481	66,927	626,503
Reductions	(9,923)	(271,287)	(11,087)	(17,043)	-	(21,641)	(3,923)	(2,015)	(336,919)
Effect of foreign currency exchange differences	-	17,695	1,182	198	71	364	3,250	3,318	26,078
Balance at December 31, 2020	<u>\$ 407,952</u>	<u>\$ 2,003,198</u>	<u>\$ 388,888</u>	<u>\$ 523,117</u>	<u>\$ 49,625</u>	<u>\$ 211,374</u>	<u>\$ 451,429</u>	<u>\$ 299,573</u>	<u>\$ 4,335,156</u>
<b>Accumulated depreciation</b>									
Balance at January 1, 2020	\$ 252,845	\$ 1,373,528	\$ 223,196	\$ 364,444	\$ 32,876	\$ 129,121	\$ 197,394	\$ 121,810	\$ 2,695,214
Additions	22,989	213,471	45,943	43,804	4,208	23,665	50,422	45,348	449,850
Reductions	(9,778)	(269,242)	(11,084)	(17,015)	-	(20,748)	(3,692)	(1,640)	(333,199)
Effect of foreign currency exchange differences	-	14,895	1,055	93	70	249	2,770	1,842	20,974
Balance at December 31, 2020	<u>\$ 266,056</u>	<u>\$ 1,332,652</u>	<u>\$ 259,110</u>	<u>\$ 391,326</u>	<u>\$ 37,154</u>	<u>\$ 132,287</u>	<u>\$ 246,894</u>	<u>\$ 167,360</u>	<u>\$ 2,832,839</u>
Carrying amounts at December 31, 2020	<u>\$ 141,896</u>	<u>\$ 670,546</u>	<u>\$ 129,778</u>	<u>\$ 131,791</u>	<u>\$ 12,471</u>	<u>\$ 79,087</u>	<u>\$ 204,535</u>	<u>\$ 132,213</u>	<u>\$ 1,502,317</u>
<b>Cost</b>									
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	<u>\$ 392,007</u>	<u>\$ 2,073,937</u>	<u>\$ 340,324</u>	<u>\$ 475,949</u>	<u>\$ 42,104</u>	<u>\$ 166,209</u>	<u>\$ 297,621</u>	<u>\$ 231,343</u>	<u>\$ 4,019,494</u>
<b>Accumulated depreciation</b>									
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	<u>\$ 252,845</u>	<u>\$ 1,373,528</u>	<u>\$ 223,196</u>	<u>\$ 364,444</u>	<u>\$ 32,876</u>	<u>\$ 129,121</u>	<u>\$ 197,394</u>	<u>\$ 121,810</u>	<u>\$ 2,695,214</u>
Carrying amounts at December 31, 2019	<u>\$ 139,162</u>	<u>\$ 700,409</u>	<u>\$ 117,128</u>	<u>\$ 111,505</u>	<u>\$ 9,228</u>	<u>\$ 37,088</u>	<u>\$ 100,227</u>	<u>\$ 109,533</u>	<u>\$ 1,324,280</u>

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amounts</u>		
Land	\$ 149,923	\$ 138,895
Buildings	590,787	471,640
Transportation equipment	<u>88</u>	<u>186</u>
	<u>\$ 740,798</u>	<u>\$ 610,721</u>
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Additions to right-of-use assets	<u>\$ 315,726</u>	<u>\$ 280,596</u>
Depreciation charge for right-of-use assets		
Land	\$ 5,586	\$ 4,888
Buildings	180,943	130,916
Transportation equipment	<u>92</u>	<u>96</u>
	<u>\$ 186,621</u>	<u>\$ 135,900</u>

### b. Lease liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amounts</u>		
Current	<u>\$ 170,641</u>	<u>\$ 129,095</u>
Non-current	<u>\$ 566,944</u>	<u>\$ 471,466</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Land	2.51%-2.80%	2.80%
Buildings	1.35%-5.33%	1.35%-5.33%
Transportation equipment	3.93%	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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Expenses relating to short-term leases	\$ 59,840	\$ 48,643
Total cash outflow for leases	\$ 259,786	\$ 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.

## 16. GOODWILL

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Cost</u>		
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 2020 and 2019.

## 17. INTANGIBLE ASSETS

	<b>Patent Royalties</b>	<b>Computer Software</b>	<b>Patent</b>	<b>Other Deferred Charges</b>	<b>Total</b>
<u>Cost</u>					
Balance at January 1, 2020	\$ 4,715	\$ 92,100	\$ 4,881	\$ 1,854	\$ 103,550
Additions	749	58,666	-	-	59,415
Reductions	(4,200)	(20,213)	(5,398 )	(1,854)	(31,665)
Reclassified	(515)	-	515	-	-
Effect of foreign currency exchange differences	(2)	74	2	-	74
Balance at December 31, 2020	<u>\$ 747</u>	<u>\$ 130,627</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,374</u>
<u>Accumulated amortization</u>					
Balance at January 1, 2020	\$ 4,715	\$ 39,368	\$ 4,514	\$ 1,426	\$ 50,023
Additions	624	37,108	367	428	38,527
Reductions	(4,200)	(20,213)	(5,398 )	(1,854)	(31,665)
Reclassified	(515)	-	515	-	-
Effect of foreign currency exchange differences	(2)	47	2	-	47
Balance at December 31, 2020	<u>\$ 622</u>	<u>\$ 56,310</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,932</u>
Carrying amounts at December 31, 2020	<u>\$ 125</u>	<u>\$ 74,317</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,442</u>
<u>Cost</u>					
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	<u>\$ 4,715</u>	<u>\$ 92,100</u>	<u>\$ 4,881</u>	<u>\$ 1,854</u>	<u>\$ 103,550</u>
<u>Accumulated amortization</u>					
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	<u>\$ 4,715</u>	<u>\$ 39,368</u>	<u>\$ 4,514</u>	<u>\$ 1,426</u>	<u>\$ 50,023</u>
Carrying amounts at December 31, 2019	<u>\$ -</u>	<u>\$ 52,732</u>	<u>\$ 367</u>	<u>\$ 428</u>	<u>\$ 53,527</u>

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

Patent royalties	1-10 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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Current</u>		
Prepayments		
Excess VAT paid	\$ 216,022	\$ 106,583
Prepayments for purchases	81,152	1,567
Prepayments for software maintenance fee	23,428	31,443
Other	<u>35,875</u>	<u>44,117</u>
	<u>\$ 356,477</u>	<u>\$ 183,710</u>
	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Non-current</u>		
Others Assets		
Pledged time deposits (Note 34)	\$ 27,773	\$ 22,000
Other	<u>18,929</u>	<u>39,766</u>
	<u>\$ 46,702</u>	<u>\$ 61,766</u>

## 19. BORROWINGS

### Long-term borrowings

The borrowings of the Group are as follows:

	<b>Maturity Date</b>	<b>Significant Covenant</b>	<b>December 31</b>	
			<b>2020</b>	<b>2019</b>
Unsecured bank borrowings	2026.06.15	From June 2022, 49 monthly payments of principal and interest	\$ 1,000,000	\$ 806,000
Unsecured bank borrowings	2026.04.15	From June 2022, 47 monthly payments of principal and interest	<u>218,000</u>	<u>167,000</u>
			1,218,000	973,000
Less: Deferred revenue (Note 29)			<u>(54,530)</u>	<u>(52,361)</u>
Long-term borrowings			<u>\$ 1,163,470</u>	<u>\$ 920,639</u>

The intervals of effective borrowing rates as of December 31, 2020 and 2019 were 0%-0.10% and 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, 2020 and 2019, the Group had met the financial ratio covenants.

## 20. OTHER LIABILITIES

	December 31	
	2020	2019
<u>Current</u>		
Other payables		
Temporary receipts from customers	\$ 713,994	\$ 1,020,782
Temporary credit and agency receipt	373,638	125,610
Payable for bonuses	304,767	273,324
Payable for salaries	127,574	94,895
Payable for import/export	88,240	200,040
Payable for service	34,735	36,154
Payable for insurance	34,005	34,171
Others	743,231	802,246
	<u>\$ 2,420,184</u>	<u>\$ 2,587,222</u>

## 21. PROVISIONS

	December 31	
	2020	2019
Warranties	<u>\$ 84,389</u>	<u>\$ 45,966</u>
		<b>Warranties</b>
<u>In 2019</u>		
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		<u>\$ 45,966</u>
<u>In 2020</u>		
Balance at January 1, 2020		\$ 45,966
Additional provisions recognized		171,957
Amounts written off		(133,455)
Effect of foreign currency exchange differences		(79)
Balance at December 31, 2020		<u>\$ 84,389</u>

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:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Present value of funded defined benefit obligation	\$ 294,922	\$ 290,335
Fair value of plan assets	<u>(265,807)</u>	<u>(262,902)</u>
Net defined benefit liability	<u>\$ 29,115</u>	<u>\$ 27,433</u>

Movements in net defined benefit liability were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability</b>
Balance at January 1, 2019	<u>\$ 282,108</u>	<u>\$ (253,502)</u>	<u>\$ 28,606</u>
Service cost			
Current service cost	1,038	-	1,038
Net interest expense (income)	<u>3,663</u>	<u>(3,306)</u>	<u>357</u>
Recognized in profit or loss	<u>4,701</u>	<u>(3,306)</u>	<u>1,395</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(8,148)	(8,148)
Actuarial loss - experience adjustments	<u>7,609</u>	<u>-</u>	<u>7,609</u>
Recognized in other comprehensive income	<u>7,609</u>	<u>(8,148)</u>	<u>(539)</u>
Contributions from the employer	<u>-</u>	<u>(2,029)</u>	<u>(2,029)</u>
Benefits paid	<u>(4,083)</u>	<u>4,083</u>	<u>-</u>
Balance at December 31, 2019	<u>290,335</u>	<u>(262,902)</u>	<u>27,433</u>
Service cost			
Current service cost	870	-	870
Net interest expense (income)	<u>3,174</u>	<u>(2,890)</u>	<u>284</u>
Recognized in profit or loss	<u>4,044</u>	<u>(2,890)</u>	<u>1,154</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(7,656)	(7,656)
Actuarial loss - experience adjustments	<u>11,563</u>	<u>-</u>	<u>11,563</u>
Recognized in other comprehensive income	<u>11,563</u>	<u>(7,656)</u>	<u>3,907</u>
Contributions from the employer	<u>-</u>	<u>(2,802)</u>	<u>(2,802)</u>
Benefits paid	<u>(9,248)</u>	<u>9,248</u>	<u>-</u>
Liabilities extinguished on settlement	<u>(1,772)</u>	<u>1,195</u>	<u>(577)</u>
Balance at December 31, 2020	<u>\$ 294,922</u>	<u>\$ 265,807</u>	<u>\$ 29,115</u>



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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Operating costs	\$ 98	\$ 118
Selling and marketing expenses	128	135
General and administrative expenses	500	590
Research and development expenses	<u>428</u>	<u>552</u>
	<u>\$ 1,154</u>	<u>\$ 1,395</u>

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:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rates	0.80%	1.00%-1.10%
Expected rates of salary increase	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:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rates		
0.25% increase	\$ (7,844)	\$ (8,288)
0.25% decrease	<u>\$ 8,154</u>	<u>\$ 8,630</u>
Expected rates of salary increase		
1.00% increase	<u>\$ 33,308</u>	<u>\$ 35,449</u>
1.00% decrease	<u>\$ (29,195)</u>	<u>\$ (30,864)</u>

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.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
The expected contributions to the plan for the next year	\$ 2,754	\$ 1,065
The average duration of the defined benefit obligation	13 years	13-14 years

## 23. EQUITY

### a. Ordinary shares

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
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)	559,456	558,051
Shares issued	\$ 5,594,564	\$ 5,580,514

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
May be used to offset a deficit, distributed as cash <u>dividends, or transferred to share capital (1)</u>		
Arising from issuance of ordinary shares	\$ 535,375	\$ 531,890
Arising from treasury share transactions	55,783	40,100
<u>May be used to offset a deficit only</u>		
Arising from employee share options	217,135	208,509
Arising from changes in percentage of ownership interest in subsidiaries (2)	5,509	5,509
<u>May not be used for any purpose</u>		
Arising from employee share options	11,081	19,707
	<u>\$ 824,883</u>	<u>\$ 805,715</u>

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, 2020 and 2019, 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, 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	<u>\$531,890</u>	<u>\$ 40,100</u>	<u>\$ 208,509</u>	<u>\$ 5,509</u>	<u>\$ 19,707</u>
Balance at January 1, 2020	\$531,890	\$ 40,100	\$ 208,509	\$ 5,509	\$ 19,707
Employee share options exercised	3,485	-	6,389	-	(6,389)
Employee share option not exercised	-	-	2,237	-	(2,237)
Cash dividends received by subsidiaries from parent company	-	15,683	-	-	-
Balance at December 31, 2020	<u>\$535,375</u>	<u>\$ 55,783</u>	<u>\$ 217,135</u>	<u>\$ 5,509</u>	<u>\$ 11,081</u>

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 25-7.

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 2019 and 2018 had been approved in the shareholders' meeting on June 18, 2020 and June 13, 2019, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For Year 2019</b>	<b>For Year 2018</b>	<b>For Year 2019</b>	<b>For Year 2018</b>
Legal reserve	\$ 495,049	\$ 295,245	\$ -	\$ -
Special reserve	230,752	53,817	-	-
Cash dividends	3,462,734	2,230,684	6.1903	3.9984

The appropriations of earnings for 2020 had been proposed by the Company's board of directors on March 18, 2021. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 504,445	\$ -
Reversal of special reserve	(65,023)	-
Cash dividends	3,636,538	6.5

The appropriations of earnings for 2020 are subject to the resolution of the shareholders' meeting to be held on June 17, 2021.

d. Special reserves

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Beginning at January 1	\$ 307,492	\$ 253,675
Appropriations in respect of Debits to other equity items	<u>230,752</u>	<u>53,817</u>
Balance at December 31	<u>\$ 538,244</u>	<u>\$ 307,492</u>

e. Others equity items

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ (492,608)	\$ (273,183)
Recognized for the year Exchange differences on translating the financial statements of foreign operations	<u>38,269</u>	<u>(219,425)</u>
Balance at December 31	<u>\$ (454,339)</u>	<u>\$ (492,608)</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ (45,636)	\$ (34,308)
Recognized for the year Unrealized gain - equity instruments	26,754	12,389
Reclassification adjustments Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	<u>-</u>	<u>(23,717)</u>
Balance at December 31	<u>\$ (18,882)</u>	<u>\$ (45,636)</u>

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
<u>December 31, 2020</u>			
Accton Investment	2,210	<u>\$ 50,999</u>	<u>\$ 698,318</u>
<u>December 31, 2019</u>			
Accton Investment	2,210	<u>\$ 50,999</u>	<u>\$ 371,258</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Revenue from the sale of goods	\$ 54,382,569	\$ 55,322,578
Other operating revenue	<u>80,303</u>	<u>78,469</u>
	<u>\$ 54,462,872</u>	<u>\$ 55,401,047</u>

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.

The Group recognized the estimated possible sales return and discount of the refundable liabilities. As of December 31, 2020 and 2019, for information on the refund liability which amounted to \$60,601 thousand and \$48,113 thousand, respectively.

b. Contact balances

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Trade receivables (Note 10)	<u>\$ 8,843,964</u>	<u>\$ 6,964,535</u>	<u>\$ 7,975,288</u>
Contract liabilities - current			
Sale of goods	<u>\$ 958,519</u>	<u>\$ 592,137</u>	<u>\$ 382,014</u>

As of December 31, 2020 and 2019, the sales of goods from contract liabilities amounted to \$151,826 thousand and \$196,112 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) Interest income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Bank deposits	\$ 89,534	\$ 98,558
Financial assets at amortized cost	449	1,264
Others	<u>61</u>	<u>91</u>
	<u>\$ 90,044</u>	<u>\$ 99,913</u>

2) Other income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Grant income (Note 29)	\$ 90,685	\$ 46,112
Dividends	9,797	8,937
Others	<u>55,534</u>	<u>68,912</u>
	<u>\$ 156,016</u>	<u>\$ 123,961</u>

3) Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Gain (loss) on lease modification	\$ 39	\$ (231)
(Loss) gain on disposal of subsidiary	(48)	3,337
Net loss on fair value changes of financial assets		
Designated as at fair value through profit or loss	(27,621)	(19,529)
Net foreign exchange losses	(350,113)	(87,493)
Others	<u>(18,551)</u>	<u>(9,799)</u>
	<u>\$ (396,294)</u>	<u>\$ (113,715)</u>

4) Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest on lease liabilities	\$ 20,333	\$ 14,011
Interest on loans	17,603	4,277
Others	<u>158</u>	<u>-</u>
	<u>\$ 38,094</u>	<u>\$ 18,288</u>

5) Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
An analysis of depreciation by function		
Operating costs	\$ 351,214	\$ 267,321
Operating expenses	<u>285,257</u>	<u>241,021</u>
	<u>\$ 636,471</u>	<u>\$ 508,342</u>
An analysis of amortization by function		
Operating costs	\$ 6,264	\$ 3,719
Operating expenses	<u>32,263</u>	<u>27,261</u>
	<u>\$ 38,527</u>	<u>\$ 30,980</u>

6) Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term benefits	\$ 4,571,893	\$ 4,075,182
Post-employment benefits (Note 22)		
Defined contribution plans	190,910	140,290
Defined benefit plans	<u>1,154</u>	<u>1,395</u>
Total employee benefits expense	<u>\$ 4,763,957</u>	<u>\$ 4,216,867</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 1,488,226	\$ 1,311,514
Operating expenses	<u>3,275,731</u>	<u>2,905,353</u>
	<u>\$ 4,763,957</u>	<u>\$ 4,216,867</u>

7) 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, 2020 and 2019, which have been approved by the Company's board of directors on March 18, 2021 and March 19, 2020, respectively, were as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Employees' compensation	11.25%	11.25%
Remuneration of directors	0.6%	0.7%

Amount

	<b>For the Year Ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Cash</b>	<b>Share</b>	<b>Cash</b>	<b>Share</b>
Employees' compensation	\$ 779,607	\$ -	\$ 741,109	\$ -
Remuneration of directors	45,000	-	45,000	-

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 2021 and 2020 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:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax		
In respect of the current year	\$ 1,227,121	\$ 1,179,331
Income tax on unappropriated earnings	31,357	-
Adjustments for prior year	(66,151)	(13,647)
Deferred tax		
In respect of the current year	<u>(28,072)</u>	<u>14,389</u>
Income tax expense recognized in profit or loss	<u>\$ 1,164,255</u>	<u>\$ 1,180,073</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Profit before tax from operations	<u>\$ 6,212,895</u>	<u>\$ 6,129,645</u>
Income tax expense calculated at the statutory rate	\$ 1,355,686	\$ 1,526,803
Income tax on unappropriated earnings	39,310	18,651
Nondeductible items expenses in determining taxable income	(73,285)	(286,846)
Investment credits	(91,305)	(64,888)
Adjustments for prior years' tax	<u>(66,151)</u>	<u>(13,647)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,164,255</u>	<u>\$ 1,180,073</u>

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 deducted the amount of capital expenditure from the unappropriated earnings that was reinvested when calculating the tax on unappropriated earnings.

### b. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax assets (included in other receivables)		
Tax refund receivable	<u>\$ 18,985</u>	<u>\$ 19,224</u>
Current tax liabilities		
Income tax payable	<u>\$ 1,349,251</u>	<u>\$ 779,000</u>



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, 2020

	<b>Balance, Beginning of Year</b>	<b>Movements</b>	<b>Balance, End of Year</b>
<u>Deferred tax assets</u>			
Temporary difference	\$ 47,515	\$ 29,571	\$ 77,086
Loss carryforwards	<u>2,923</u>	<u>(1,499)</u>	<u>1,424</u>
	<u>\$ 50,438</u>	<u>\$ 28,072</u>	<u>\$ 78,510</u>

For the year ended December 31, 2019

	<b>Balance, Beginning of Year</b>	<b>Movements</b>	<b>Balance, End of Year</b>
<u>Deferred tax assets</u>			
Temporary difference	\$ 46,032	\$ 1,483	\$ 47,515
Loss carryforwards	<u>18,795</u>	<u>(15,872)</u>	<u>2,923</u>
	<u>\$ 64,827</u>	<u>\$ (14,389)</u>	<u>\$ 50,438</u>

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Loss carryforwards		
Expire in 2020	\$ -	\$ 187,873
Expire in 2021	362,423	374,098
Expire in 2022	110,232	115,918
Expire in 2023	513,349	536,476
Expire in 2024	357,290	373,189
Expire in 2025	327,119	360,635
Expire in 2026	-	34,424
Expire in 2027	52,509	57,638
Expire in 2028	14,575	28,451
Expire in 2029	117,402	152,925
Expire in 2030	8,804	-
Expire in 2033	136,663	143,860
Expire in 2035	114,511	120,542
Expire in 2036	247,795	260,846
Expire in 2037	173,296	182,423
Expire in 2038	427,659	450,183
Expire in 2039	<u>97,444</u>	<u>102,576</u>
	<u>\$ 3,061,071</u>	<u>\$ 3,482,057</u>
Deductible temporary differences	<u>\$ 760,722</u>	<u>\$ 900,352</u>

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, 2020 and 2019.

f. Income tax assessments

The tax authorities have examined the income tax returns of the Company and Edgecore Networks Corp. through 2018 and have examined the income tax returns of the Metalligence Technology Corp., 4ipnet Inc. and E-Direct Corp. through 2019.

## 27. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Basic earnings per share	\$ 9.07	\$ 8.91
Diluted earnings per share	\$ 8.98	\$ 8.76

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Earnings used in the computation of basic and diluted earnings per share	\$ 5,048,353	\$ 4,950,495

Weighted average number of ordinary shares outstanding (in thousand shares):

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Weighted average number of ordinary shares in computation of basic earnings per share	556,352	555,633
Effect of potentially dilutive ordinary shares:		
Employee share option	2,682	4,056
Bonus to employees	3,424	5,192
Weighted average number of ordinary shares used in the computation of diluted earnings per share	562,458	564,881

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 and 20,000 thousand options on July 20, 2010. 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:

	<b>For the Year Ended December 31</b>			
	<b>2014</b>		<b>2010</b>	
	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
<u>2019</u>				
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	<u>(410)</u>	14.20-14.70	<u>-</u>	-
Balance at December 31	<u>2,981</u>	14.20	<u>926</u>	8.60
<u>2020</u>				
Balance at January 1	2,981	\$ 14.20	926	\$ 8.60
Options exercised	(979)	13.80-14.20	(426)	8.60
Options canceled	<u>-</u>	-	<u>(500)</u>	8.60
Balance at December 31	<u>2,002</u>	13.80	<u>-</u>	-

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, 2020 was as follows:

	<b>Options Outstanding</b>			<b>Options Exercisable</b>	
	<b>Number Outstanding (In Thousands)</b>	<b>Expected Remaining Contractual Life (In Years)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number Exercisable (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
<b>Exercise Price (NT\$)</b>					
\$ 13.80	<u>2,002</u>	3.69	\$ 13.80	<u>2,002</u>	\$ 13.80

Options granted in 2014 and 2010 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	<b>2014</b>	<b>2010</b>
Grant-date share price (\$)	\$ 17.90	\$ 15.25
Exercise price (\$)	17.90	15.25
Expected volatility	22.30%	46.56%
Expected life (years)	10 year	3.25 year
Expected dividend yield	-	-
Risk-free interest rate	1.63%	0.80%

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, 2020 and 2019.

#### 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.

	<b>2012 Plan</b>	
	<b>Number of Outstanding Share Option Rights (In Thousands)</b>	<b>Weighted- average Exercise Price (USD)</b>
<u>2019</u>		
Beginning balance	506	USD 1.10
Options canceled	<u>(260)</u>	USD 1.10
Ending balance	<u>246</u>	USD 1.10
<u>2020</u>		
Balance at January 1 and December 31	<u>246</u>	USD 1.10

The outstanding share options as of December 31, 2020 were as follows:

	<b>Options Outstanding</b>			<b>Options Exercisable</b>	
	<b>Number Outstanding (In Thousands)</b>	<b>Expected Remaining Contractual Life (In Years)</b>	<b>Weighted- average Exercise Price (USD)</b>	<b>Number Exercisable (In Thousands)</b>	<b>Weighted- average Exercise Price (USD)</b>
<b>Exercise Price (USD)</b>					
<u>2012 plan</u>					
USD 1.10	<u>246</u>	1.59	USD 1.10	<u>246</u>	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:

	<b>2012</b>
Grant-date share price	<u>USD 0.91</u>
Exercise price	<u>USD 1.10</u>
Expected volatility	50.00%
Expected life	6.21 years
Expected dividend yield	-
Risk-free interest rate	0.91%
Fair value	<u>USD 0.39</u>

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, 2020 and 2019.

## 29. GOVERNMENT GRANTS

As of December 31, 2020, the Company obtained a government preferential interest rate loan of \$1,218,000 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 1.10%-1.29%. Based on this, the fair value of the loan is estimated to be \$1,145,494 thousand. The difference between the amount obtained and the fair value of the loan is \$72,506 thousand, which is regarded as a government low interest loan and recognized as deferred income. In 2020 and 2019, the Company recognized other income of \$10,761 thousand and \$2,576 thousand and the interest expense of the loan of \$15,988 thousand and \$2,989 thousand, respectively.

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 August 17, 2020, the Group completed the liquidation of its subsidiary, Accton Vietnam.

1) Analysis of assets and liabilities on the date of liquidation

	<b>Accton Vietnam</b>
Current asset	
Cash and cash equivalents	\$ 5,129
Net assets disposed of	<u>\$ 5,129</u>

2) Loss on liquidation of subsidiary

	<b>Accton Vietnam</b>
Consideration received	\$ 1,382
Net assets disposed of	(5,129)
Liquidation of subsidiary reclassified from cumulative exchange difference in equity to other comprehensive income due to loss of control over the subsidiary	<u>3,699</u>
Loss on disposal	<u>\$ (48)</u>

b. On November 5, 2019, the Group completed the liquidation of its subsidiary, IgniteNet EU.

1) Loss on liquidation of subsidiary

	<b>IgniteNet EU</b>
Consideration received	\$ -
Liquidation of subsidiary reclassified from cumulative exchange difference in equity to other comprehensive income due to loss of control over the subsidiary	<u>(122)</u>
Loss on disposal	<u>\$ (122)</u>

- c. On August 31, 2019, the Group completed the liquidation of its subsidiary, SMC Spain.

1) Gain on liquidation of subsidiary

	<b>SMC Spain</b>
Consideration received	\$ -
Liquidation of subsidiary reclassified from cumulative exchange difference in equity to other comprehensive income due to loss of control over the subsidiary	<u>3,508</u>
Gain on disposal	<u>\$ 3,508</u>

- d. On April 28, 2019, the Group completed the liquidation of its subsidiary, WayStorm.

1) Analysis of assets and liabilities on the date of liquidation

	<b>WayStorm</b>
Current assets	
Cash and cash equivalents	\$ 50
Prepayments	<u>4</u>
Net assets disposed of	<u>\$ 54</u>

2) Loss on liquidation of subsidiary

	<b>WayStorm</b>
Consideration received	\$ 5
Net assets disposed of	<u>(54)</u>
Loss on disposal	<u>\$ (49)</u>

### 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

	<b>Carrying Amount</b>	<b>Fair Value</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets</u>					
Financial assets at amortized cost					
Bond investment	\$ 55,680	\$ -	\$ 53,294	\$ -	\$ 53,294

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, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 2,128,757	\$ -	\$ -	\$ 2,128,757
Structured deposits	-	-	284,818	284,818
Derivative financial assets	-	380	-	380
Unlisted shares	-	-	136,757	136,757
	<u>\$ 2,128,757</u>	<u>\$ 380</u>	<u>\$ 421,575</u>	<u>\$ 2,550,712</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares and emerging market shares	<u>\$ 192,943</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 192,943</u>

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
	<u>\$ 315,232</u>	<u>\$ -</u>	<u>\$ 186,740</u>	<u>\$ 501,972</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares and emerging market shares	<u>\$ 173,445</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 173,445</u>

There were no transfers between Level 1 and 2 for the years ended December 31, 2020 and 2019.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2020

Financial Assets	Financial Assets at FVTOCI Equity Instruments
Balance at January 1, 2020	\$ 186,740
Recognized in profit or loss (included in other gains and losses)	(35,053)
Purchases	283,712
Sales	<u>(13,824)</u>
Balance at December 31, 2020	<u>\$ 421,575</u>

For the year ended December 31, 2019

<b>Financial Assets</b>	<b>Financial Assets at FVTOCI Equity Instruments</b>
Balance at January 1, 2019	\$ 174,517
Recognized in profit or loss (included in other gains and losses)	(21,726)
Purchases	40,315
Sales	<u>(6,366)</u>
Balance at December 31, 2019	<u>\$ 186,740</u>

3) Valuation techniques and inputs applied for Level 3 fair value measurement

- a) Some foreign unlisted equity securities are determined using the Black-Solve 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.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Price book ratio	1.830-4.049	1.415-4.901
Price-to-sales ratio	0.73-2.48	0.67-2.46
Liquidity discount	20%	20%

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	\$ 2,550,712	\$ 501,972
Financial assets at amortized cost (Note 1)	17,381,074	17,732,680
Financial assets at FVTOCI		
Investments in equity instruments	192,943	173,445

Financial liabilities

Amortized cost (Note 2)	12,329,824	13,579,542
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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.

	<b>USD Impact</b>		<b>EUR Impact</b>		<b>HKD Impact</b>	
	<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Profit or loss	\$ 58,142	\$ 70,930	\$ 55	\$ 10	\$ (383)	\$ (607)

b) Interest rate risk

Interest rates of the Group's long-term bank loans are fixed and 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.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Fair value interest rate risk		
Financial assets	\$ 4,566,473	\$ 6,283,898
Financial liabilities	737,585	600,561
Cash flow interest rate risk		
Financial assets	3,368,501	4,031,110
Financial liabilities	1,163,470	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, 2020 and 2019 would have decreased/increased by \$2,205 thousand and \$3,110 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, 2020 and 2019 would have increased/decreased by \$25,507 thousand and \$5,020 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, 2020 and 2019 would have increased/decreased by \$1,929 thousand and \$1,734 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, 2020 and 2019, the Group had available unutilized short-term bank loan facilities set out in (c) 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, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Total
<u>Non-derivative financial liabilities</u>					
Noninterest bearing	\$ 7,352,193	\$ 3,304,426	\$ 508,919	\$ 816	\$ 11,166,354
Lease liabilities	22,686	15,386	151,697	643,763	833,532
Variable interest rate liabilities	18	36	164	1,218,513	1,218,731
	<u>\$ 7,374,897</u>	<u>\$ 3,319,848</u>	<u>\$ 660,780</u>	<u>\$ 1,863,092</u>	<u>\$ 13,218,617</u>

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	<u>\$ 189,769</u>	<u>\$ 463,414</u>	<u>\$ 46,119</u>	<u>\$ 41,101</u>	<u>\$ 40,039</u>	<u>\$ 53,090</u>

## December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Total
<u>Non-derivative financial liabilities</u>					
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
	<u>\$ 9,118,579</u>	<u>\$ 2,117,502</u>	<u>\$ 1,561,667</u>	<u>\$ 1,523,724</u>	<u>\$ 14,321,472</u>

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	<u>\$ 141,875</u>	<u>\$ 365,608</u>	<u>\$ 44,155</u>	<u>\$ 35,791</u>	<u>\$ 35,791</u>	<u>\$ 60,248</u>

### b) Liquidity and interest rate risk table for derivative financial liabilities

The following table details the Group's liquidity analysis of its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed is determined by reference to the projected interest rates as illustrated by the yield curves at the end of the year.

## December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year
<u>Net settled</u>			
Structured deposits	\$ -	\$ 284,818	\$ -
Foreign exchange forward contracts	<u>530</u>	<u>(150)</u>	<u>-</u>
	<u>\$ 530</u>	<u>\$ 284,668</u>	<u>\$ -</u>

### c) Financing facilities

	<u>December 31</u>	
	2020	2019
Unsecured bank overdraft facility, reviewed annually and payable at call:		
Amount used	\$ 1,218,000	\$ 973,000
Amount unused	<u>5,878,470</u>	<u>6,125,970</u>
	<u>\$ 7,096,470</u>	<u>\$ 7,098,970</u>

The Group does not have bank loan facilities which may be extended by mutual agreement on December 31, 2020 and 2019.

## 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

<b>Related Party Name</b>	<b>Relationship with the Company</b>
Noctilucent Systems (Shanghai) Limited Oenix Biomed Co., Ltd.	Related party in substance Associate

b. Sales

<b>Line Item</b>	<b>Related Party Name</b>	<b>December 31</b>	
		<b>2020</b>	<b>2019</b>
Sales	Oenix Biomed Co., Ltd.	\$ 1,353	\$ 122
	Noctilucent Systems (Shanghai) Limited	<u>-</u>	<u>1,218</u>
		<u>\$ 1,353</u>	<u>\$ 1,340</u>

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. Purchase

<b>Line Item</b>	<b>Related Party Name</b>	<b>December 31</b>	
		<b>2020</b>	<b>2019</b>
Purchase	Noctilucent Systems (Shanghai) Limited	<u>\$ 28</u>	<u>\$ -</u>

The price of the Group's purchase to related parties is based on the agreed terms; therefore, there is no appropriate transaction object to compare.

d. Trade receivables from related parties

<b>Line Item</b>	<b>Related Party Name</b>	<b>December 31</b>	
		<b>2020</b>	<b>2019</b>
Trade receivables - related parties	Oenix Biomed Co., Ltd.	\$ 376	\$ -
	Noctilucent Systems (Shanghai) Limited	<u>-</u>	<u>2,858</u>
		<u>\$ 376</u>	<u>\$ 2,858</u>

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.

e. Other receivables from related parties

<b>Line Item</b>	<b>Related Party Name</b>	<b>December 31</b>	
		<b>2020</b>	<b>2019</b>
Other receivables from related parties	Noctilucent Systems (Shanghai) Limited	\$ 9,799	\$ 10,550
	Oenix Biomed Co., Ltd.	<u>16</u>	<u>8</u>
		<u>\$ 9,815</u>	<u>\$ 10,558</u>

The transaction between the Group and related parties is based on the agreed terms.

f. Other payables to related parties

Line Item	Related Party Name	December 31	
		2020	2019
Other payables to related parties	Noctilucent Systems (Shanghai) Limited	\$ <u>1,867</u>	\$ <u>2,270</u>

The transaction between the Group and related parties are based on the agreed terms.

g. Non-operating income and expenses

Line Item	Related Party Name	December 31	
		2020	2019
Other revenue	Oenix Biomed Co., Ltd.	\$ <u>91</u>	\$ <u>175</u>

h. Compensation of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 217,696	\$ 163,268
Termination benefits	<u>2,055</u>	<u>870</u>
	<u>\$ 219,751</u>	<u>\$ 164,138</u>

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	
	2020	2019
Pledged time deposits (classified as other non-current assets - other)	\$ <u>27,773</u>	\$ <u>22,000</u>

### 35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2020, the bank issued a letter of guarantee to the customs for the import/export of goods by the Company, and the amount of the guarantee was \$23,000 thousand.

As of December 31, 2020, Accton Global has issued unused letters of credit as guarantee to U.S. customs affairs, and the amount of guarantee was USD\$8,550 thousand.

As of December 31, 2020, the bank issued a letter of guarantee to the customs for the import/export of goods by Edgecore Networks, and the amount of guarantee was \$11,000 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, 2020

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Foreign assets</u>			
Monetary items			
USD	\$ 542,795	28.48 (USD:NTD)	\$ 15,458,803
USD	184,414	4.377 (RMB:NTD)	5,252,107
		6.507 (USD:RMB)	
JPY	3,527	0.2763 (JPY:NTD)	974
EUR	169	35.02 (EUR:NTD)	5,907
HKD	3	4.377 (RMB:NTD)	12
		0.9676 (HKD:RMB)	

Foreign liabilities

Monetary items			
USD	420,090	28.48 (USD:NTD)	11,964,153
USD	102,969	4.377 (RMB:NTD)	2,932,549
		6.507 (USD:RMB)	
EUR	1	35.02 (EUR:NTD)	21
EUR	12	4.377 (RMB:NTD)	414
		8.0009 (EUR:RMB)	
HKD	9,045	4.377 (RMB:NTD)	38,307
		0.9676 (HKD:RMB)	

December 31, 2019

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Foreign assets</u>			
Monetary items			
USD	\$ 592,936	29.98 (USD:NTD)	\$ 17,776,215
USD	227,298	4.305 (RMB:NTD)	6,814,398
		6.964 (USD:RMB)	
EUR	55	33.59 (EUR:NTD)	1,852
HKD	4	4.305 (RMB:NTD)	14
		0.8941 (HKD:RMB)	

Foreign liabilities

Monetary items			
USD	\$ 420,866	29.98 (USD:NTD)	\$ 12,617,565
USD	162,776	4.305 (RMB:NTD)	4,880,014
		6.964 (USD:RMB)	
EUR	24	33.59 (EUR:NTD)	802
EUR	1	4.305 (RMB:NTD)	27
		7.8026 (EUR:RMB)	
HKD	15,785	4.305 (RMB:NTD)	60,757
		0.8941 (HKD:RMB)	

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					
		2020		2019	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)		Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1 (NTD:NTD)	\$ (189,073)		1 (NTD:NTD)	\$ (113,197)
RMB	4.2827 (RMB:NTD)	(161,031)		4.4821 (RMB:NTD)	25,667
USD	29.549 (USD:NTD)	(9)		30.912 (USD:NTD)	37
		<u>\$ (350,113)</u>			<u>\$ (87,493)</u>

### 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. (Note 7)
- 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. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9)



- e. 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 2020 and 2019. The segment assets are shown in the consolidated balance sheets as of December 31, 2020 and 2019.

- 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:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Switch	\$ 38,539,208	\$ 37,790,071
Network Application	7,676,155	8,936,062
Metro Access Switch	5,120,019	4,061,408
Wireless	1,304,977	2,060,175
Other	1,822,513	2,517,507
Broadband Access	-	35,824
	<u>\$ 54,462,872</u>	<u>\$ 55,401,047</u>

- 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:

	<b>Revenue from External Customers</b>		<b>Noncurrent Assets</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
America	\$ 37,599,998	\$ 39,055,403	\$ 25,253	\$ 36,269
Europe	10,719,876	9,789,386	-	-
Asia	4,674,213	4,823,075	634,219	540,921
Taiwan (Company location)	1,359,693	1,664,236	1,795,000	1,613,524
Other	<u>109,092</u>	<u>68,947</u>	<u>-</u>	<u>-</u>
	<u>\$ 54,462,872</u>	<u>\$ 55,401,047</u>	<u>\$ 2,454,472</u>	<u>\$ 2,190,714</u>

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 and deferred tax assets.

d. Major customers representing at least 10% of net sales:

Customer	2020		2019	
	Amount	% to Total	Amount	% to Total
A	\$ 7,395,202	14	\$ 6,800,332	12
B	6,970,414	13	8,703,094	16
C	6,408,805	12	7,490,570	14
D	6,206,803	11	7,597,166	14

**TABLE 1****ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES****ENDORSEMENTS/GUARANTEES PROVIDED****FOR THE YEAR ENDED DECEMBER 31, 2020****(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 Corporation	1	\$ 1,448,034	\$ 23,000	\$ 23,000	\$ 23,000	\$ -	0.16	\$ 4,344,102	No	No	No
0	Accton Technology Corporation	Accton Global, Inc.	2	1,448,034	284,800 (USD 10,000)	284,800 (USD 10,000)	200,784 (USD 7,050)	-	1.97	4,344,102	Yes	No	No
0	Accton Technology Corporation	Accton Technology Co., Ltd.	2	1,448,034	142,400 (USD 5,000)	142,400 (USD 5,000)	-	-	0.98	4,344,102	Yes	No	Yes
1	Edgecore Network Corporation	Edgecore Network Corporation	1	1,137,018	11,000	11,000	11,000	-	0.97	1,137,018	No	No	No
1	Edgecore Network Corporation	Accton Global, Inc.	4	1,137,018	300,200	-	-	-	-	1,137,018	No	No	No
2	Accton Global, Inc.	Accton Logistics Corporation	4	56,424	42,720 (USD 1,500)	42,720 (USD 1,500)	42,720 (USD 1,500)	-	75.71	56,424	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, 2020

(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, 2020				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
Accton Technology Corporation	<u>Fund</u>							
	Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss - current	18,740	\$ 280,157	-	\$ 280,157	-
	Allianz Global Investors Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	19,792	250,025	-	250,025	-
	Fuh Hwa Money Market Fund	-	Financial assets at fair value through profit or loss - current	16,503	240,019	-	240,019	-
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss - current	15,078	230,017	-	230,017	-
	FSITC Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,113	200,225	-	200,225	-
	Taishin Ta-Chong Money Market Fund	-	Financial assets at fair value through profit or loss - current	13,976	200,135	-	200,135	-
	UPAMC James Bond Money Market Fund	-	Financial assets at fair value through profit or loss - current	11,879	200,056	-	200,056	-
	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,083	100,001	-	100,001	-
	Fuh Hwa You Li Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,261	85,004	-	85,004	-
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,325	80,015	-	80,015	-
	Yuanta De- Bao Money Market Fund	-	Financial assets at fair value through profit or loss - current	4,129	50,003	-	50,003	-
	<u>Shares</u>							
	First Hi-Tec Enterprise Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	1,496	78,516	2%	78,516	-
	Cathay financial holding Co., Ltd. - preference shares	-	Financial assets at fair value through other comprehensive income - current	830	51,294	-	51,294	-
	Cathay financial holding Co., Ltd. - preference share B	-	Financial assets at fair value through other comprehensive income - current	35	2,183	-	2,183	-
	Clientron Corp.	-	Financial assets at fair value through other comprehensive income - current	289	4,954	-	4,954	-
	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	-	-	-	-
	Pershing Systems Corp.	-	Financial assets at fair value through profit or loss - non-current	2,459	58,954	9%	58,954	-

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
Accton Technology Corporation	i Pass Corporation	-	Financial assets at fair value through profit or loss - non-current	1,599	\$ 27,205	2%	\$ 27,205	-
	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	9,142	15%	9,142	-
	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	-	-	-	-
	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)	<u>Shares</u> Accton Technology Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	2,210	50,999	-	693,318	-
	Volterra, Inc. -preference share A	-	Financial assets at fair value through profit or loss - non-current	319	-	1%	-	-
	Volterra, Inc. -preference share B	-	Financial assets at fair value through profit or loss - non-current	34	-	-	-	-
	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	-	-	-	-
	Dustphotonics, Inc. -preference share A	-	Financial assets at fair value through profit or loss - non-current	38	-	-	-	-
	Dustphotonics, Inc. -preference share B	-	Financial assets at fair value through profit or loss - non-current	5	-	-	-	-
	Tallac Networks, Inc.	-	Financial assets at fair value through profit or loss - non-current	254	-	-	-	-

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
Accton Investment Corp. (BVI)	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%	-	-
	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.	<u>Shares</u> @ 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	-	-	-	-

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
Accton Century holding (BVI) Co., Ltd. ACCTON ASIA INVESTMENT CORP. (BVI)	Fortress	-	Financial assets at fair value through profit or loss - non-current	-	\$ -	-	\$ -	-
	<u>Shares</u> Zhuhai Jinfangda Technology Co., Ltd.		Financial assets at fair value through profit or loss - non-current	-	15,038	18%	15,038	-
Nocsys Inc.	<u>Shares</u> Noctilucent (HK) Limited	-	Financial assets at fair value through profit or loss - non-current	-	-	19%	-	-
Edgecore Networks Corp.	<u>Fund</u> UPAMC James Bond Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,535	110,052	-	110,052	-
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,325	80,010	-	80,010	-
	Taishin Ta-Chong Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,609	23,038	-	23,038	-
	<u>Shares</u> ALFA Network Inc.	-	Financial assets at fair value through profit or loss - non-current	969	26,418	19%	26,418	-
SMC NETWORKS, INC.	<u>Shares</u> Humax Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	369	55,996 (USD 1,966)	-	55,996 (USD 1,966)	-
	Wedge Networks	-	Financial assets at fair value through profit or loss - non-current	250	-	1%	-	-
Joy Technology (Shenzhen) Co., Ltd.	<u>Structured Deposits</u> Standard Chartered Bank (China) Limited. - Extendable Deposits	-	Financial assets at fair value through profit or loss - current	-	284,818 (RMB 65,253)	-	284,818 (RMB 65,253)	-

Note 1: As of December 31, 2020 the above marketable securities had not been pledged or mortgaged.

Note 2: Information on subsidiaries and associates refer to Table 7 and 8.

(Concluded)

**TABLE 3**

**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, 2020  
(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	FSITC Money Market	Financial assets at fair value through profit or loss - current	-	-	1,139	\$ 204,080	2,283	\$ 410,000	2,309	\$ 414,466	\$ 414,015	\$ 451	1,113	\$ 200,225
	Taishin Ta-Chong Money Market	Financial assets at fair value through profit or loss - current	-	-	-	-	88,113	1,260,000	74,137	1,060,207	1,060,000	207	13,976	200,135
	UPAMC James Bond Money Market	Financial assets at fair value through profit or loss - current	-	-	6,625	111,152	53,801	905,000	48,547	816,539	816,000	539	11,879	200,056

Note: Disposed carrying amount is the acquisition cost.



**TABLE 4**

**ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/ Accounts Receivable (Payable)		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	\$ 22,447,913	52	Mainly paid on the 75th day after the shipment date	Specified at each transaction	Mainly paid on the 75th day after the shipment date	\$ (5,204,304)	60	-
	Edgecore Networks Corp.	Subsidiary	Purchase	103,237	-	Mainly paid on the 45th day after the shipment date	Specified at each transaction	Mainly paid on the 45th day after the shipment date	-	-	-
	Accton Global, Inc.	Subsidiary	Sale	15,324,521	28	Mainly paid on the 75th day after the shipment date	Specified at each transaction	Mainly paid on the 75th day after the shipment date	4,362,818	49	-
	Accton Logistics Corp. (USA)	Subsidiary	Sale	4,247,825	8	Mainly paid on the 90th day after the shipment date	Specified at each transaction	Mainly paid on the 90th day after the shipment date	226,961	3	-
	Edgecore Networks Corp.	Subsidiary	Sale	2,234,964	4	Mainly paid on the 45th day after the shipment date	Specified at each transaction	Mainly paid on the 45th day after the shipment date	144,378	2	-
	SMC Networks Inc.	Subsidiary	Sale	107,576	-	Mainly paid on the 60th day after the shipment date	Specified at each transaction	Mainly paid on the 60th day after the shipment date	12,001	-	-
Joy Technology (Shenzhen) Co., Ltd.	Accton Technology Co., Ltd.	Held by the same ultimate holding company	Sale	1,195,576	2	Mainly paid on the 75th day after the shipment date	Specified at each transaction	Mainly paid on the 75th day after the shipment date	443,856	5	-
Edgecore Networks Corp.	Edgecore Americas	Subsidiary	Sale	1,284,317	2	Mainly paid on the 75th day after the invoice date	Specified at each transaction	Mainly paid on the 75th day after the invoice date	501,723	6	-

**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, 2020**  
**(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	Accton Global, Inc.	Subsidiary	\$ 4,368,032	4.24	\$ 1,414,674	-	\$ 1,414,674	\$ -
	Joy Technology (Shenzhen) Co., Ltd.	Investment accounted for using the equity method indirect subsidiary	432,883	Note 2	-	-	-	-
	Accton Logistics Corp. (USA)	Subsidiary	227,599	9.75	-	-	-	-
Joy Technology (Shenzhen) Co., Ltd.	Edgecore Networks Corp.	Subsidiary	159,753	8.81	-	-	-	-
	Accton Technology Corporation	Ultimate parent company	5,229,550	3.77	100,745	Strengthen collection	54,453	-
	Accton Technology Co., Ltd.	Held by the same ultimate holding company	443,856	2.15	1,990	Strengthen collection	1,606	-
Edgecore Networks Corporation	Edgecore Americas	Subsidiary	502,212	3.14	314,713	Strengthen collection	85,524	-

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.

**TABLE 6**

**ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEARS ENDED DECEMBER 31, 2020**

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Counterparty	Nature of Relationship (Note 3)	Intercompany Transactions			
			Financial Statements Items	2020		Terms
				Amount	Percentage of Consolidated Total Gross Sales or Total Assets	
Accton Technology Corporation	Accton Global, Inc.	1	Sales	\$ 15,324,521	28%	Note 1
	Accton Logistics Corp. (USA)	1	Sales	4,247,825	8%	Note 1
	Edgecore Networks Corporation	1	Sales	2,334,964	4%	Note 1
	SMC Networks Inc.	1	Sales	107,576	-	Note 1
	Accton Technology Co., Ltd.	1	Sales	23,546	-	Note 1
	Joy Technology (Shenzhen) Co., Ltd.	1	Sales	4,754	-	Note 1
	Joy Technology (Shenzhen) Co., Ltd.	1	Purchase and subcontract costs	22,447,913	41%	Note 1
	Edgecore Networks Corporation	1	Purchase and subcontract costs	103,237	-	Note 1
	Edgecore Americas Networking Corp.	1	Purchase and subcontract costs	18,227	-	Note 1
	SMC Networks Inc.	1	Purchase and subcontract costs	17,826	-	Note 1
	Accton Technology Corp. (USA)	1	Operating expenses	130,675	-	Note 1
	Accton Global, Inc.	1	Trade receivables from related parties	4,362,818	14%	Note 2
	Accton Logistics Corp. (USA)	1	Trade receivables from related parties	226,961	1%	Note 2
	Edgecore Networks Corporation	1	Trade receivables from related parties	144,378	-	Note 2
	SMC Networks Inc.	1	Trade receivables from related parties	12,001	-	Note 2
	Joy Technology (Shenzhen) Co., Ltd.	1	Other receivables from related parties	432,883	1%	Note 2
	Edgecore Networks Corporation	1	Other receivables from related parties	15,375	-	Note 2
	Accton Global, Inc.	1	Other receivables from related parties	5,214	-	Note 2
	Joy Technology (Shenzhen) Co., Ltd.	1	Trade payables to related parties	5,204,304	17%	Note 1
	Accton Technology Corp. (USA)	1	Other payables to related parties	116,644	-	Note 1
	Joy Technology (Shenzhen) Co., Ltd.	1	Other payables to related parties	25,246	-	Note 1
	Accton Technology Co., Ltd.	1	Other payables to related parties	6,872	-	Note 1
Joy Technology (Shenzhen) Co., Ltd.	Accton Technology Co., Ltd.	3	Sales	1,195,576	2%	Note 1
	MuXi Technology Co., Ltd.	3	Sales	11,880	-	Note 1
	Accton Technology Co., Ltd.	3	Purchase and subcontract costs	47,954	-	Note 1
	Accton Technology Co., Ltd.	3	Trade receivables from related parties	443,856	1%	Note 1
	MuXi Technology Co., Ltd.	3	Trade receivables from related parties	13,443	-	Note 1
	MuXi Technology Co., Ltd.	3	Other receivables from related parties	77,008	-	Note 1
	Accton Technology Co., Ltd.	3	Trade payables to related parties	29,576	-	Note 1
	Accton Technology Co., Ltd.	3	Other payables to related parties	20,043	-	Note 1
	Edgecore Networks Corporation	3	Sales	1,284,317	2%	Note 1
	ATAN NetworKs Co., Ltd.	3	Sales	19,602	-	Note 1
Edgecore Networks Corporation	Accton Technology Co., Ltd.	3	Purchase and subcontract costs	8,992	-	Note 1
	4ipnet, Inc.	3	Purchase and subcontract costs	6,998	-	Note 1
	Edgecore Americas Networking Corp.	3	Operating expenses	48,672	-	Note 1
	Edgecore Networks Singapore Pte. Ltd.	3	Operating expenses	40,912	-	Note 1

(Continued)

Company Name	Counterparty	Nature of Relationship (Note 3)	Intercompany Transactions			
			Financial Statements Items	2020		Terms
				Amount	Percentage of Consolidated Total Gross Sales or Total Assets	
Edgecore Networks Corporation	Edgecore Americas Networking Corp.	3	Trade receivables from related parties	\$ 501,723	2%	Note 1
Accton Technology Co., Ltd.	ATAN NetworKs Co., Ltd.	3	Trade receivables from related parties	8,089	-	Note 1
	ATAN NetworKs Co., Ltd.	3	Sales	22,410	-	Note 1
	ATAN NetworKs Co., Ltd.	3	Trade receivables from related parties	22,614	-	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)

**TABLE 7**

**ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**INFORMATION ON INVESTEEES IN MAINLAND CHINA (EXCLUDING ANY INVESTEEES COMPANY IN MALNLAND CHINA )**  
**DECEMBER 31, 2020**  
**(In Thousands of New Taiwan Dollars)**

Investor Company	Equity-method Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2020			Net Income of the Equity-method Investee	Investment Income	Note
				December 31, 2020	December 31, 2019	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	\$ 4,390,922	\$ 204,880	\$ 187,396	Notes 1 and 2
	Edgecore Networks Corp.	Hsinchu	Research, development, design and manufacture of switching hubs	650,000	650,000	50,000	100	1,117,402	160,695	160,695	Note 1
	SMC Networks Inc.	USA	Sale of network products	769,644	769,644	24,149	100	147,303	(1,391)	(1,391)	Note 1
	Accton Technology (China) Co., Ltd.	Cayman Islands	Investment holding company	279,635	279,635	6,600	100	93,236	(8,062)	(8,062)	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	169,173	1,818	1,818	Note 1
	Accton Investment Corp. (BVI)	British Virgin Islands	Investment holding company	79,676	79,676	1,004	100	127,483	(37,272)	(50,952)	Note 1
	Accton Logistics Corp. (USA)	USA	Selling and marketing of high-quality LAN hardware and software products	89,267	89,267	1	100	82,701	2,405	2,405	Note 1
	Accton Global, Inc.	USA	Selling and marketing of high-quality LAN hardware and software products	35,316	35,316	10	100	(363,381)	18,930	18,930	Note 1
	Nocsys Inc.	Cayman Islands	Investment holding company	199,434	199,434	50,000	100	2,720	(141)	(141)	Note 1
	E-Direct Corp.	Taipei	Provides services in information software and information technology	43,075	43,075	3,852	100	79,926	20,460	20,460	Note 1
	Metalligence Technology Corp.	Taipei	Provides e-commerce apps, information software and advertising services	46,407	46,407	4,641	100	3,521	(8,803)	(8,803)	Note 1
	Oenix Biomed Co., Ltd.	Taipei	Research and development of health care services and equipment	20,000	20,000	2,000	40	12,929	(3,599)	(1,440)	Note 1
	4ipnet, Inc.	Taipei	Research, development, manufacture and selling of wireless products and solutions for enterprises	50,000	50,000	7,840	98	3	14,335	19,282	Notes 1 and 2
Accton Century Holding (BVI) Co., Ltd.	Accton Asia Investments Corp. (BVI)	British Virgin Islands	Investment holding company	1,199,179 (USD 42,106)	1,199,179 (USD 42,106)	42,106	100	4,333,773	229,073	229,073	Note 1
Accton Investment Corp. (BVI)	Alpha Telecom, Inc.	USA	Sale and manufacture of Communication transmission, VoIP and IDS equipment	7,120 (USD 250)	7,120 (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, 2020			Net Income of the Equity-method Investee	Investment Income	Note
				December 31, 2020	December 31, 2019	Shares (Thousands)	% of Ownership	Carrying Value			
Edgecore Networks Corp.	Edgecore Networks Singapore Pte. Ltd.	Singapore	Sell high-quality LAN hardware and software products	\$ 22,466	\$ 22,466	3,557	100	\$ 24,239	\$ 2,244	\$ 2,244	Note 1
	Edgecore Cayman, Corp.	Cayman Islands	Investment holding company	30,285	30,285	1,000	100	475	46,816	46,816	Note 1
	Horwood Limited	Cayman Islands	Investment holding company	6,868	6,868	2,000	100	7,991	(546)	(546)	Note 1
Edgecore Cayman Corp.	Edgecore Americas Networking Corp.	USA	Sell high-quality LAN hardware and software products	285	285	10	100	(33,044)	49,044	49,044	Note 1
				(USD 10)	(USD 10)						
Edgecore Networks Singapore Pte. Ltd.	Accton Technology Vietnam Company Limited	Vietnam	Sale of network products	-	8,544	-	-	-	-	-	Notes 1 and 4
					(USD 300)						

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: Accton Technology Vietnam Company Limited completed its liquidation in August 2020.

(Concluded)

TABLE 8

## ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(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, 2020 (Note 2)	Investment Flows		Accumulated Outflow Remittance for Investment from Taiwan as of December 31, 2020 (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, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outflow	Inflow							
Joy Technology (Shenzhen) Co., Ltd.	Selling and producing of high-end networks switches	\$ 1,267,360 (USD 44,500)	Note 1	\$ 1,053,760 (USD 37,000)	\$ -	\$ 469,920 (USD 16,500)	\$ 583,840 (USD 20,500)	\$ 228,339	100%	\$ 228,339	\$ 4,299,747	\$ 469,920 (USD 16,500)	Note 3
Accton Technology Co., Ltd.	Selling and marketing of network products	170,880 (USD 6,000)	Note 1	170,880 (USD 6,000)	-	-	170,880 (USD 6,000)	(7,717)	100%	(7,717)	86,694	-	Note 3
Noctilucent Systems (Shanghai) Limited	Development, design and manufacture of software, selling product and consultation and service of technique	142,400 (USD 5,000)	Note 1	187,028 (USD 6,567)	-	-	187,028 (USD 6,567)	-	-	-	-	-	Notes 5 and 8
ATAN Networks Co., Ltd.	Selling and marketing of network products	56,960 (USD 2,000)	Note 10	56,960 (USD 2,000)	-	-	56,960 (USD 2,000)	(17,948)	100%	(17,948)	(14,544)	-	Note 3
MuXi Technology Co., Ltd.	Selling and marketing of network products	4,365 (RMB 1,000)	Note 11	-	-	-	-	894	100%	894	5,261	-	Notes 3 and 11

Equity-method Investee Company	Accumulated Investment in Mainland China as of December 31, 2020 (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 20,500	USD 44,500 (Note 4)	\$ 8,688,204
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, 2020.

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.

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 Affairs 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: 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.

Note 11: Accton Technology Co., Ltd.'s indirect investment in a company located in mainland China.

**TABLE 9****ACCTON TECHNOLOGY CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2020**

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Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Golden Tengis Co., Ltd.	45,113,765	8.06



## **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, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (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, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and 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 financial statements for the year ended December 31, 2020 are stated as follows:

##### Revenue recognition

For the year ended December 31, 2020, the Company's net operating revenue was NT\$51,270,498 thousand. Refer to Notes 4 and 22 to the financial statements for the detailed information on accounting policies on revenue.

We evaluated that the operating revenue of some of the major customers of the Company which have grown significantly compared to 2019. Therefore, we considered the occurrence of operating revenue as a key audit matter .

Our audit procedures performed in respect of the above key audit matter included the following:

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

2. We selected appropriate samples from sales and inspected that purchase orders and delivery orders were consistent with invoices.
3. We selected samples of revenue details and confirmed that actual receipts and certificate of remittances were consistent with the recorded amount; we examined relevant documents and checked the credit period of receivables that had not been received.

### **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.

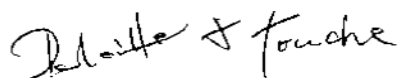
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of 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, 2020 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 audits resulting in this independent auditors' report are Cheng Chih Lin and Yu Feng Huang.



Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 18, 2021

#### Notice to Readers

*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, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 30)	\$ 2,302,876	7	\$ 3,382,500	11
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 30)	1,915,657	6	315,232	1
Financial assets at fair value through other comprehensive income - current (Notes 4, 8 and 30)	136,947	-	123,235	-
Financial assets at amortized cost - current (Notes 4, 9 and 30)	2,824,364	9	4,103,392	14
Notes and Trade receivables, net (Notes 4, 5 and 10)	6,426,497	20	4,162,120	14
Receivables from related parties (Notes 4, 5 and 31)	4,385,603	14	3,782,379	13
Other receivables (Notes 4 and 10)	286,027	1	80,806	-
Other receivables from related parties (Notes 4 and 31)	455,781	1	1,013,925	3
Inventories (Notes 4, 5 and 11)	5,440,371	17	5,059,526	17
Prepayments (Note 16)	133,637	-	102,990	-
Other current assets (Note 16)	<u>4,940</u>	<u>-</u>	<u>6,186</u>	<u>-</u>
Total current assets	<u>24,312,700</u>	<u>75</u>	<u>22,132,291</u>	<u>73</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 30)	95,301	-	89,731	1
Investments accounted for using the equity method (Notes 4, 12 and 31)	6,227,319	19	6,320,171	21
Property, plant and equipment (Notes 4, 13 and 31)	1,132,928	4	894,509	3
Right-of-use assets (Notes 4 and 14)	477,705	2	521,032	2
Intangible assets (Notes 4, 15 and 31)	70,933	-	49,263	-
Deferred tax assets (Notes 4 and 24)	74,915	-	46,294	-
Prepayments for equipment	19,573	-	73,028	-
Refundable deposits (Note 30)	41,826	-	24,050	-
Other non-current assets - other (Notes 16 and 32)	<u>27,773</u>	<u>-</u>	<u>22,000</u>	<u>-</u>
Total non-current assets	<u>8,168,273</u>	<u>25</u>	<u>8,040,078</u>	<u>27</u>
TOTAL	<u>\$ 32,480,973</u>	<u>100</u>	<u>\$ 30,172,369</u>	<u>100</u>

LIABILITIES AND EQUITY	2020		2019	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Contract liabilities - current (Notes 4 and 22)	\$ 914,356	3	\$ 542,726	2
Trade payables	5,786,272	18	4,787,686	16
Trade payables to related parties (Note 31)	5,204,304	16	6,937,837	23
Bonuses to employees and directors (Note 23)	852,827	3	743,421	2
Payables to machinery and equipment (Note 30)	79,927	-	123,867	-
Other payables (Note 18)	1,896,544	6	1,759,399	6
Other payables to related parties (Note 31)	150,679	-	165,477	1
Current tax liabilities (Notes 4 and 24)	1,295,338	4	749,646	3
Provisions - current (Notes 4 and 19)	81,224	-	44,380	-
Lease liabilities - current (Notes 4 and 14)	91,079	-	79,771	-
Deferred revenue - current (Notes 17 and 27)	11,075	-	8,317	-
Refund liabilities - current (Note 22)	<u>16,605</u>	<u>-</u>	<u>3,179</u>	<u>-</u>
Total current liabilities	<u>16,380,230</u>	<u>50</u>	<u>15,945,706</u>	<u>53</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 17 and 27)	1,163,470	4	920,639	3
Lease liabilities - non-current (Notes 4 and 14)	378,908	1	429,941	2
Deferred revenue - non-current (Notes 17 and 27)	48,094	-	44,044	-
Net defined benefit liabilities - non-current (Notes 4 and 20)	29,115	-	26,809	-
Guarantee deposits (Note 30)	816	-	816	-
Other non-current liabilities (Note 12)	<u>-</u>	<u>-</u>	<u>4,027</u>	<u>-</u>
Total non-current liabilities	<u>1,620,403</u>	<u>5</u>	<u>1,426,276</u>	<u>5</u>
Total liabilities	<u>18,000,633</u>	<u>55</u>	<u>17,371,982</u>	<u>58</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 21 and 26)				
Share capital				
Ordinary shares	<u>5,594,564</u>	<u>17</u>	<u>5,580,514</u>	<u>18</u>
Capital surplus	<u>824,883</u>	<u>3</u>	<u>805,715</u>	<u>3</u>
Retained earnings				
Legal reserve	1,843,206	6	1,348,157	4
Special reserve	538,244	1	307,492	1
Unappropriated earnings	<u>6,203,663</u>	<u>19</u>	<u>5,347,752</u>	<u>18</u>
Total retained earnings	<u>8,585,113</u>	<u>26</u>	<u>7,003,401</u>	<u>23</u>
Other equity	<u>(473,221)</u>	<u>(1)</u>	<u>(538,244)</u>	<u>(2)</u>
Treasury shares	<u>(50,999)</u>	<u>-</u>	<u>(50,999)</u>	<u>-</u>
Total equity	<u>14,480,340</u>	<u>45</u>	<u>12,800,387</u>	<u>42</u>
TOTAL	<u>\$ 32,480,973</u>	<u>100</u>	<u>\$ 30,172,369</u>	<u>100</u>

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

# ACCTON TECHNOLOGY CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 22 and 31)	\$51,270,498	100	\$ 49,953,689	100
OPERATING COSTS (Notes 4, 11, 20, 23 and 31)	<u>41,613,889</u>	<u>81</u>	<u>41,812,113</u>	<u>84</u>
GROSS PROFIT	9,656,609	19	8,141,576	16
(UNREALIZED) REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Note 4)	<u>(189,840)</u>	<u>(1)</u>	<u>101,255</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>9,466,769</u>	<u>18</u>	<u>8,242,831</u>	<u>16</u>
OPERATING EXPENSES (Notes 4, 10, 20, 23 and 31)				
Selling and marketing	973,777	2	1,245,650	2
General and administrative	1,145,101	2	977,931	2
Research and development	1,591,873	3	1,414,273	3
Expected credit loss	<u>9,934</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>3,720,685</u>	<u>7</u>	<u>3,637,854</u>	<u>7</u>
OPERATING INCOME	<u>5,746,084</u>	<u>11</u>	<u>4,604,977</u>	<u>9</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 12, 23 and 31)				
Interest income	61,338	-	69,311	-
Other income	98,986	-	74,702	-
Other gains and losses	(112,737)	-	(110,873)	-
Finance costs	(28,635)	-	(13,213)	-
Share of profit of subsidiaries and associates	<u>340,197</u>	<u>1</u>	<u>1,176,626</u>	<u>3</u>
Total non-operating income and expenses	<u>359,149</u>	<u>1</u>	<u>1,196,553</u>	<u>3</u>
PROFIT BEFORE INCOME TAX	6,105,233	12	5,801,530	12
INCOME TAX EXPENSE (Notes 4 and 24)	<u>1,056,880</u>	<u>2</u>	<u>851,035</u>	<u>2</u>
NET INCOME FOR THE YEAR	<u>5,048,353</u>	<u>10</u>	<u>4,950,495</u>	<u>10</u>

(Continued)

# ACCTON TECHNOLOGY CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	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	\$ (3,907)	-	\$ (10 )	-
Unrealized gain on investment in equity instruments at fair value through other comprehensive income	13,712	-	13,913	-
Share of the other comprehensive loss of subsidiaries accounted for using the equity method	13,042	-	(986 )	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>38,269</u>	<u>-</u>	<u>(219,425 )</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>61,116</u>	<u>-</u>	<u>(206,508 )</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$5,109,469</u>	<u>10</u>	<u>\$4,743,987</u>	<u>10</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 9.07</u>		<u>\$ 8.91</u>	
Diluted	<u>\$ 8.98</u>		<u>\$ 8.76</u>	

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, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company								
						Other Equity		Treasury Shares	Total
						Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
	Share Capital	Capital Surplus	Retained Earnings		Unappropriated Earnings				
			Legal Reserve	Special Reserve					
BALANCE AT JANUARY 1, 2019	\$ 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, 2019, 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
Other changes in capital surplus									
Cash dividends received by subsidiaries from parent company	-	15,683	-	-	-	-	-	-	15,683
Appropriation of 2019 earnings									
Legal reserve	-	-	495,049	-	(495,049)	-	-	-	-
Special reserve	-	-	-	230,752	(230,752)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(3,462,734)	-	-	-	(3,462,734)
Net profit for the year ended December 31, 2020	-	-	-	-	5,048,353	-	-	-	5,048,353
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(3,907)	38,269	26,754	-	61,116
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	5,044,446	38,269	26,754	-	5,109,469
Share-based payment arrangements	14,050	3,485	-	-	-	-	-	-	17,535
BALANCE AT DECEMBER 31, 2020	\$ 5,594,564	\$ 824,883	\$ 1,843,206	\$ 538,244	\$ 6,203,663	\$ (454,339)	\$ (18,882)	\$ (50,999)	\$ 14,480,340

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

# ACCTON TECHNOLOGY CORPORATION

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 6,105,233	\$ 5,801,530
Adjustments for:		
Depreciation	399,201	261,001
Amortization	35,318	27,855
Expected credit loss	9,934	-
Net (gain) loss on fair value changes of financial assets designated as at fair value through profit or loss	(10,968)	15,295
Finance costs	28,635	13,213
Interest income	(61,338)	(69,311)
Dividend income	(8,138)	(8,937)
Dividends received from investments accounted for using equity method	513,662	501,891
Share of profit of subsidiaries and associates	(340,197)	(1,176,626)
Gain on disposal of property, plant and equipment	(326)	(806)
Loss on disposal of subsidiary	-	49
(Reversal) write-downs of inventories	(36,410)	125,778
Unrealized (realized) gain on transactions with subsidiaries	189,840	(101,255)
Unrealized (gain) loss on foreign currency exchange	(46,734)	110,869
Amortization of grant revenue	(10,761)	-
Loss on lease modification	-	231
Changes in operating assets and liabilities		
Notes and trade receivables, net	(2,255,387)	1,148,715
Trade receivables from related parties	(817,980)	(373,633)
Other receivables	(215,102)	(4,744)
Other receivables from related parties	584,030	209,426
Inventories	(344,435)	(1,517,625)
Prepayments	(30,647)	(5,929)
Other current assets	(4,527)	(2,557)
Contract liabilities	371,630	211,684
Trade payables	981,266	1,846,327
Trade payables to related parties	(1,830,862)	(288,686)
Other payables	304,064	1,386,399
Other payables to related parties	(14,116)	(37,665)
Provisions	36,844	(99,172)
Refund liabilities	13,426	(20,190)
Net defined benefit liabilities	(1,601)	(532)
Cash generated from operations	3,543,554	7,952,595
Interest paid	(13,225)	(13,152)
Income tax paid	(539,809)	(446,081)
Net cash generated from operating activities	<u>2,990,520</u>	<u>7,493,362</u>

(Continued)



# ACCTON TECHNOLOGY CORPORATION

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

	2020	2019
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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	(9,608,934)	(4,087,480)
Proceeds from sale of financial assets at amortized cost	10,887,962	-
Purchase of financial assets at fair value through profit or loss	(3,890,000)	(2,260,000)
Proceeds from sale of financial assets at fair value through profit or loss	2,294,973	1,946,764
Net cash outflow on acquisition of subsidiaries	-	(35,316)
Net cash inflow on disposal of subsidiaries	-	5
Acquisition of property, plant and equipment	(526,466)	(651,528)
Proceeds from disposal of property, plant and equipment	1,056	1,029
Increase in refundable deposits	(17,776)	(11,762)
Acquisition of intangible assets	(56,988)	(44,733)
Interest received	68,279	56,892
Dividends received	<u>8,138</u>	<u>8,937</u>
Net cash used in from investing activities	<u>(839,756)</u>	<u>(5,042,376)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	2,700,000	100,000
Repayments of short-term borrowings	(2,700,000)	(100,000)
Proceeds from long-term borrowings	345,000	1,073,000
Repayments of long-term borrowings	(100,000)	(100,000)
Guarantee deposits refunded	-	(10)
Repayment of the principal portion of lease liabilities	(99,095)	(73,934)
Dividends paid to owners of the Company	(3,462,734)	(2,230,684)
Employee share options	<u>17,535</u>	<u>6,346</u>
Net cash used in financing activities	<u>(3,299,294)</u>	<u>(1,325,282)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>	<u>68,906</u>	<u>(250,999)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(1,079,624)	874,705
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>3,382,500</u>	<u>2,507,795</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 2,302,876</u>	<u>\$ 3,382,500</u>

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

(Concluded)

# ACCTON TECHNOLOGY CORPORATION

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(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 New Taiwan dollars.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 18, 2021.

### 3. APPLICATION OF NEW AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to 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).

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

- 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)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
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

(Continued)

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)
(Concluded)	

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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**

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. The 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 accounted for as 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 that constitutes a business 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 of a subsidiary that constitutes a business 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 had the Company 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 Company's proportionate interest in the associate and joint venture. The Company 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 Company'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 effects of any changes in the estimates 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 recognized in profit or loss.

j. Impairment of property, plant and equipment, right-of-use asset and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets 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 an 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 assets are 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 assets 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 maturities 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 asset that is not credit impaired on purchase or origination but has 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.

### 1. 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 advance 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

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.

## 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 related to income are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs that the grants intend 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 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 in which 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

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain 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 are 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

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 Company considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised if the revisions affect only that year or in the year of the revisions and future years if the revisions affect both current and future years.

## 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.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Cash on hand	\$ 711	\$ 643
Checking accounts and demand deposits	1,321,953	2,002,517
Cash equivalents		
Time deposits with original maturities of less than 3 months	524,532	1,379,340
Repurchase agreements collateralized by bonds	<u>455,680</u>	<u>-</u>
	<u>\$ 2,302,876</u>	<u>\$ 3,382,500</u>

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Bank balance	0.001%-0.350%	0.001%-2.330%
Repurchase agreements collateralized by bonds	0.400%	-

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	<u>\$ 1,915,657</u>	<u>\$ 315,232</u>
<u>Financial assets at FVTPL - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic and foreign unlisted shares	<u>\$ 95,301</u>	<u>\$ 89,731</u>

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2020	2019
<u>Current</u>		
Domestic investments		
Listed shares and emerging market shares	\$ <u>136,947</u>	\$ <u>123,235</u>

These investments in equity instruments are not held for trading. Instead, they are held for 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	
	2020	2019
<u>Current</u>		
Time deposits with original maturity of more than 3 months (a)	\$ 2,824,364	\$ 4,087,480
Bond investment (b)	<u>-</u>	<u>15,912</u>
	\$ <u>2,824,364</u>	\$ <u>4,103,392</u>

- a. The ranges of interest rates for time deposits with original maturities of more than 3 months were 0.19%-1.76% and 0.65%-2.37% per annum as of December 31, 2020 and 2019, 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 expired 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. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2020	2019
<u>Notes receivable</u>		
Notes receivable - operating	\$ <u>4</u>	\$ <u>-</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 6,428,018	\$ 4,163,645
Less: Allowance for impairment loss	<u>(1,525)</u>	<u>(1,525)</u>
	\$ <u>6,426,493</u>	\$ <u>4,162,120</u>
<u>Other receivables</u>		
At amortized cost		
Gross carrying amount	\$ 289,073	\$ 83,852
Less: Allowance for impairment loss	<u>(3,046)</u>	<u>(3,046)</u>
	\$ <u>286,027</u>	\$ <u>80,806</u>

a. Notes and 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, 2020

	Not Past Due	Less than 60 Days	61 to 180 Days	Over 180 Days	Total
Gross carrying amount	\$ 6,398,290	\$ 29,728	\$ -	\$ -	\$ 6,428,018
Loss allowance (Lifetime ECL)	-	(1,525)	-	-	(1,525)
Amortized cost	<u>\$ 6,398,290</u>	<u>\$ 28,203</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,426,493</u>

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	<u>\$ 4,063,983</u>	<u>\$ 98,137</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,162,120</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Balance at January 1	\$ 1,525	\$ 1,525
Add: Amounts recovered	9,934	-
Less: Amounts written off	<u>(9,934)</u>	<u>-</u>
Balance at December 31	<u>\$ 1,525</u>	<u>\$ 1,525</u>



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:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1 and December 31	<u>\$ 3,046</u>	<u>\$ 3,046</u>

As of December 31, 2020 and 2019, 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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Merchandise	\$ 784,455	\$ 838,085
Finished goods	443,408	647,797
Work in process	653,810	420,368
Raw materials	<u>3,558,698</u>	<u>3,153,276</u>
	<u>\$ 5,440,371</u>	<u>\$ 5,059,526</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 was \$41,613,889 thousand and \$41,812,113 thousand, respectively. The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 consisted a reversal of write-down of \$36,410 thousand and an inventory write-down of \$125,778 thousand.

## 12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

a. Investments in subsidiaries

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Accton Century Holding (BVI) Co., Ltd.	\$ 4,390,922	\$ 4,136,769
Edgecore Networks Corp.	1,117,402	1,427,498
Accton Technology Corp. USA	169,173	176,257
SMC Networks Inc.	147,303	147,732
Accton Investment Corp. (BVI)	127,483	162,752
Accton Technology (China) Co., Ltd.	93,236	99,731
Accton Logistics Corp. (USA)	82,701	60,459
E-Direct Corp.	79,926	79,419
Metalligence Technology Corp.	3,521	12,324

(Continued)

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Nocsys Inc.	\$ 2,720	\$ 2,861
4ipnet, Inc.	3	(19,279)
Accton Global, Inc.	<u>(363,381)</u>	<u>(140,643)</u>
	5,851,009	6,145,880
Add: Trade receivables from related parties	363,381	141,886
Other receivables from related parties	-	14,009
Other non-current liabilities	<u>-</u>	<u>4,027</u>
Associates that are not individually material	<u>\$ 6,214,390</u>	<u>\$ 6,305,802</u>
		(Concluded)

On the date of balance sheet, the percentage of the Company's ownership and voting rights to the subsidiaries as follow:

	<b>Proportion of Ownership and Voting Rights</b>	
	<b>December 31</b>	
<b>Name of Subsidiaries</b>	<b>2020</b>	<b>2019</b>
Accton Century Holding (BVI) Co., Ltd.	100%	100%
Edgecore Networks Corp.	100%	100%
Accton Technology Corp. USA	100%	100%
SMC Networks Inc.	100%	100%
Accton Investment Corp. (BVI)	100%	100%
Accton Technology (China) Co., Ltd.	100%	100%
Accton Logistics Corp. (USA)	100%	100%
E-Direct Corp.	100%	100%
Metalligence Technology Corp.	100%	100%
Nocsys Inc.	100%	100%
4ipnet, Inc.	98%	98%
Accton Global, Inc.	100%	100%

On April 10, 2020, the board of directors resolved to rename Edgecore USA Corp. to Accton Global Inc.

When the Company's loss from investments, which were accounted for using equity method, in subsidiaries exceeds the equity in the subsidiaries, Accton Global, Inc., and 4ipnet Inc., the Company continues to recognize the loss based on the shareholding ratio. As of December 31, 2020 and 2019, the investment credits using the equity method, which had been transferred to accounts receivable - related parties, other receivables - reduction and other non-current liabilities of related parties, were \$363,381 thousand and \$159,922 thousand, respectively.

In August 2019, the Company acquired 100% of Accton Global, Inc.'s shares, which were held by Edgecore Cayman Corporation, for the Group's reorganizational structure.

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, 2020 and 2019 were calculated based on the associates' financial statements which have been audited.

b. Investments in associates

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Oenix Biomed Co., Ltd.	<u>\$ 12,929</u>	<u>\$ 14,369</u>

On the date of balance sheet, the percentage of the Company's ownership and voting rights to the associates as follow:

Name of Associate	Proportion of Ownership and Voting Rights	
	December 31	
	2020	2019
Oenix Biomed Co., Ltd.	40%	40%

### 13. PROPERTY, PLANT AND EQUIPMENT

#### Assets used by the Company

	Buildings	Machinery and Equipment	Molding Equipment	Testing Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Total
<u>Cost</u>									
Balance at January 1, 2020	\$ 392,006	\$ 645,382	\$ 260,787	\$ 438,308	\$ 36,703	\$ 82,579	\$ 87,074	\$ 64,651	\$ 2,007,490
Additions	25,867	158,333	55,744	53,950	7,450	55,120	153,311	25,878	535,653
Reductions	(9,921)	(7,004)	(8,032)	(16,000)	-	(9,695)	(325)	(1,123)	(52,100)
Balance at December 31, 2020	<u>\$ 407,952</u>	<u>\$ 796,711</u>	<u>\$ 308,499</u>	<u>\$ 476,258</u>	<u>\$ 44,153</u>	<u>\$ 128,004</u>	<u>\$ 240,060</u>	<u>\$ 89,406</u>	<u>\$ 2,491,043</u>
<u>Accumulated depreciation</u>									
Balance at January 1, 2020	\$ 252,845	\$ 202,824	\$ 153,368	\$ 342,039	\$ 28,698	\$ 62,380	\$ 35,789	\$ 35,038	\$ 1,112,981
Additions	22,989	127,991	42,740	34,019	3,520	13,767	34,476	17,002	296,504
Reductions	(9,778)	(6,427)	(8,032)	(16,000)	-	(9,685)	(325)	(1,123)	(51,370)
Balance at December 31, 2020	<u>\$ 266,056</u>	<u>\$ 324,388</u>	<u>\$ 188,076</u>	<u>\$ 360,058</u>	<u>\$ 32,218</u>	<u>\$ 66,462</u>	<u>\$ 69,940</u>	<u>\$ 50,917</u>	<u>\$ 1,358,115</u>
Carrying amounts at December 31, 2020	<u>\$ 141,896</u>	<u>\$ 472,323</u>	<u>\$ 120,423</u>	<u>\$ 116,200</u>	<u>\$ 11,935</u>	<u>\$ 61,542</u>	<u>\$ 170,120</u>	<u>\$ 38,489</u>	<u>\$ 1,132,928</u>
<u>Cost</u>									
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	<u>\$ 392,006</u>	<u>\$ 645,382</u>	<u>\$ 260,787</u>	<u>\$ 438,308</u>	<u>\$ 36,703</u>	<u>\$ 82,579</u>	<u>\$ 87,074</u>	<u>\$ 64,651</u>	<u>\$ 2,007,490</u>
<u>Accumulated depreciation</u>									
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	<u>\$ 252,845</u>	<u>\$ 202,824</u>	<u>\$ 153,368</u>	<u>\$ 342,039</u>	<u>\$ 28,698</u>	<u>\$ 62,380</u>	<u>\$ 35,789</u>	<u>\$ 35,038</u>	<u>\$ 1,112,981</u>
Carrying amounts at December 31, 2019	<u>\$ 139,161</u>	<u>\$ 442,558</u>	<u>\$ 107,419</u>	<u>\$ 96,269</u>	<u>\$ 8,005</u>	<u>\$ 20,199</u>	<u>\$ 51,285</u>	<u>\$ 29,613</u>	<u>\$ 894,509</u>

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	2-8 year
Molding equipment	2-5 year
Testing equipment	2-8 year
Transportation equipment	3-10 year
Office equipment	2-8 year
Leasehold improvements	1-10 year
Other equipment	2-8 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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amounts</u>		
Land	\$ 149,923	\$ 138,895
Buildings	<u>327,782</u>	<u>382,137</u>
	<u>\$ 477,705</u>	<u>\$ 521,032</u>
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Additions to right-of-use assets	<u>\$ 59,370</u>	<u>\$ 273,646</u>
Depreciation charge for right-of-use assets		
Land	\$ 5,586	\$ 4,888
Buildings	<u>97,111</u>	<u>57,741</u>
	<u>\$ 102,697</u>	<u>\$ 62,629</u>

### b. Lease liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amounts</u>		
Current	<u>\$ 91,079</u>	<u>\$ 79,771</u>
Non-current	<u>\$ 378,908</u>	<u>\$ 429,941</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Land	2.51%-2.80%	2.80%
Buildings	1.35%-2.20%	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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Expenses relating to short-term leases	<u>\$ 29,875</u>	<u>\$ 38,091</u>
Total cash outflow for leases	<u>\$ 140,002</u>	<u>\$ 120,961</u>

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.

## 15. INTANGIBLE ASSETS

	Technology License Fees	Computer Software	Patent	Other Deferred Charges	Total
<u>Cost</u>					
Balance at January 1, 2020	\$ -	\$ 82,705	\$ 5,038	\$ 1,852	\$ 89,595
Additions	749	56,239	-	-	56,988
Reductions	-	(16,697)	(5,038)	(1,852)	(23,587)
Balance at December 31, 2020	<u>\$ 749</u>	<u>\$ 122,247</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,996</u>
<u>Accumulated amortization</u>					
Balance at January 1, 2020	\$ -	\$ 34,237	\$ 4,671	\$ 1,424	\$ 40,332
Additions	624	33,899	367	428	35,318
Reductions	-	(16,697)	(5,038)	(1,852)	(23,587)
Balance at December 31, 2020	<u>\$ 624</u>	<u>\$ 51,439</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,063</u>
Carrying amounts at December 31, 2020	<u>\$ 125</u>	<u>\$ 70,808</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,933</u>
<u>Cost</u>					
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	<u>\$ -</u>	<u>\$ 82,705</u>	<u>\$ 5,038</u>	<u>\$ 1,852</u>	<u>\$ 89,595</u>
<u>Accumulated amortization</u>					
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	<u>\$ -</u>	<u>\$ 34,237</u>	<u>\$ 4,671</u>	<u>\$ 1,424</u>	<u>\$ 40,332</u>
Carrying amounts at December 31, 2019	<u>\$ -</u>	<u>\$ 48,468</u>	<u>\$ 367</u>	<u>\$ 428</u>	<u>\$ 49,263</u>

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

Technology license fees	1 years
Computer software	2-7 years
Patents	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	
	2020	2019
<u>Current</u>		
Prepayments		
Excess VAT paid	\$ 95,449	\$ 62,047
Prepayments for software maintenance fee	23,428	31,443
Prepayments for purchases	3,602	1,435
Other	<u>11,158</u>	<u>8,065</u>
	<u>\$ 133,637</u>	<u>\$ 102,990</u>
Other current assets		
Temporary payments	<u>\$ 4,940</u>	<u>\$ 6,186</u>
<u>Non-current</u>		
Others Assets		
Pledged time deposits (Note 32)	<u>\$ 27,773</u>	<u>\$ 22,000</u>

## 17. BORROWINGS

### Long-term borrowings

The borrowings of the Company are as follows:

			December 31	
	Maturity Date	Significant Covenant	2020	2019
Unsecured bank borrowings	2026.06.15	From June 2022, 49 monthly payments of principal and interest	\$ 1,000,000	\$ 806,000
Unsecured bank borrowings	2026.04.15	From June 2022, 47 monthly payments of principal and interest	<u>218,000</u>	<u>167,000</u>
Long-term borrowings			1,218,000	973,000
Less: Deferred revenue (Note 27)			<u>(54,530)</u>	<u>(52,361)</u>
			<u>\$ 1,163,470</u>	<u>\$ 920,639</u>

The intervals of effective borrowing rates as of December 31, 2020 and 2019 were 0%-0.10% and 0.10%-0.15%.

The loan agreement requires 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, 2020 and 2019, the Company had met the financial ratio requirements.

## 18. OTHER LIABILITIES

	December 31	
	2020	2019
<u>Current</u>		
Other payables		
Temporary receipts from customers	\$ 697,251	\$ 1,004,039
Temporary credit and agency receipt	366,796	124,149
Payable for bonuses	260,773	206,243
Payable for insurance	32,132	32,346
Payable for service	29,481	27,447
Payable for import/export	22,547	12,862
Others	<u>487,564</u>	<u>352,313</u>
	<u>\$ 1,896,544</u>	<u>\$ 1,759,399</u>

## 19. PROVISIONS

	December 31	
	2020	2019
Warranties	\$ <u>81,224</u>	\$ <u>44,380</u>
<u>In 2019</u>		<b>Warranties</b>
Balance at January 1, 2019		\$ 143,552
Additional provisions recognized		152,664
Amount written off		<u>(251,836)</u>
Balance at December 31, 2019		\$ <u>44,380</u>
<u>In 2020</u>		<b>Warranties</b>
Balance at January 1, 2020		\$ 44,380
Additional provisions recognized		170,298
Amount written off		<u>(133,454)</u>
Balance at December 31, 2020		\$ <u>81,224</u>

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:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Present value of funded defined benefit obligation	\$ 294,922	\$ 288,563
Fair value of plan assets	<u>(265,807)</u>	<u>(261,754)</u>
Net defined benefit liability	<u>\$ 29,115</u>	<u>\$ 26,809</u>

Movements in net defined benefit liability were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability</b>
Balance at January 1, 2019	<u>\$ 279,841</u>	<u>\$ (252,510)</u>	<u>\$ 27,331</u>
Service cost			
Current service cost	1,038	-	1,038
Net interest expense (income)	<u>3,638</u>	<u>(3,294)</u>	<u>344</u>
Recognized in profit or loss	<u>4,676</u>	<u>(3,294)</u>	<u>1,382</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (8,119)	\$ (8,119)
Actuarial loss - experience adjustments	<u>8,129</u>	<u>-</u>	<u>8,129</u>
Recognized in other comprehensive income	<u>8,129</u>	<u>(8,119)</u>	<u>10</u>
Contributions from the employer	<u>-</u>	<u>(1,914)</u>	<u>(1,914)</u>
Benefits paid	<u>(4,083)</u>	<u>4,083</u>	<u>-</u>
Balance at December 31, 2019	<u>288,563</u>	<u>(261,754)</u>	<u>26,809</u>
Service cost			
Current service cost	870	-	870
Net interest expense (income)	<u>3,174</u>	<u>(2,890)</u>	<u>284</u>
Recognized in profit or loss	<u>4,044</u>	<u>(2,890)</u>	<u>1,154</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(7,656)	(7,656)
Actuarial loss - experience adjustments	<u>11,563</u>	<u>-</u>	<u>11,563</u>
Recognized in other comprehensive income	<u>11,563</u>	<u>(7,656)</u>	<u>3,907</u>
Contributions from the employer	<u>-</u>	<u>(2,755)</u>	<u>(2,755)</u>
Benefits paid	<u>(9,248)</u>	<u>9,248</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 294,922</u>	<u>\$ 265,807</u>	<u>\$ 29,115</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Operating costs	\$ 98	\$ 118
Selling and marketing expenses	128	135
General and administrative expenses	500	584
Research and development expenses	<u>428</u>	<u>545</u>
	<u>\$ 1,154</u>	<u>\$ 1,382</u>



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:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rates	0.80%	1.10%
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:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rates		
0.25% increase	\$ (7,844)	\$ (8,233)
0.25% decrease	\$ 8,154	\$ 8,573
Expected rates of salary increase		
1.00% increase	\$ 33,308	\$ 35,215
1.00% decrease	\$ (29,195)	\$ (30,660)

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.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
The expected contributions to the plan for the next year	\$ 2,754	\$ 957
The average duration of the defined benefit obligation	13 years	14 years

## 21. EQUITY

### a. Ordinary shares

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
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)	559,456	558,051
Shares issued	\$ 5,594,564	\$ 5,580,514

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
May be used to offset a deficit, distributed as cash dividends, <u>or transferred to share capital (1)</u>		
Arising from issuance of ordinary shares	\$ 535,375	\$ 531,890
Arising from treasury share transactions	55,783	40,100
<u>May be used to offset a deficit only</u>		
Arising from employee share options	217,135	208,509
Arising from changes in percentage of ownership interest in subsidiaries (2)	5,509	5,509
<u>May not be used for any purpose</u>		
Arising from employee share options	<u>11,081</u>	<u>19,707</u>
	<u>\$ 824,883</u>	<u>\$ 805,715</u>

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, 2020 and 2019, for each class of capital surplus was as follows:

	<b>Premium on Issue of Shares</b>	<b>Treasury Share</b>	<b>Employee Share Options - May be used to Offset a Deficit Only</b>	<b>Change in Percentage of Ownership Interest in Subsidiaries</b>	<b>Employee Share Options - May not be used for any Purpose</b>
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	<u>-</u>	<u>8,836</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 531,890</u>	<u>\$ 40,100</u>	<u>\$ 208,509</u>	<u>\$ 5,509</u>	<u>\$ 19,707</u>

(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, 2020	\$ 531,890	\$ 40,100	\$208,509	\$ 5,509	\$ 19,707
Employee share options exercised	3,485	-	6,389	-	(6,389)
Employee share option not exercised	-	-	2,237	-	(2,237)
Cash dividends received by subsidiaries from parent company	<u>-</u>	<u>15,683</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 535,375</u>	<u>\$ 55,783</u>	<u>\$217,135</u>	<u>\$ 5,509</u>	<u>\$ 11,081</u> (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 23-7.

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 2019 and 2018 had been approved in the shareholders' meeting on June 18, 2020 and June 13, 2019, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For Year 2019</b>	<b>For Year 2018</b>	<b>For Year 2019</b>	<b>For Year 2018</b>
Legal reserve	\$ 495,049	\$ 295,245	\$ -	\$ -
Special reserve	230,752	53,817	-	-
Cash dividends	3,462,734	2,230,684	6.1903	3.9984

The appropriations of earnings for 2020 had been proposed by the Company's board of directors on March 18, 2021. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 504,445	\$ -
Reversal of special reserve	(65,023)	-
Cash dividends	3,636,538	6.5

The appropriations of earnings for 2020 are subject to the resolution of the shareholders' meeting to be held on June 17, 2021.

d. Special reserves

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 307,492	\$ 253,675
Appropriations in respect of Debits to other equity items	<u>230,752</u>	<u>53,817</u>
Balance at December 31	<u>\$ 538,244</u>	<u>\$ 307,492</u>

e. Others equity items

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ (492,608)	\$ (273,183)
Recognized for the year Exchange differences on translating the financial statements of foreign operations	<u>38,269</u>	<u>(219,425)</u>
Balance at December 31	<u>\$ (454,339)</u>	<u>\$ (492,608)</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ (45,636)	\$ (34,308)
Recognized for the year Unrealized gain - equity instruments	26,754	12,389
Reclassification adjustments Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	<u>-</u>	<u>(23,717)</u>
Balance at December 31	<u>\$ (18,882)</u>	<u>\$ (45,636)</u>

f. Treasury shares

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

<b>Nambe of Subsidiary</b>	<b>Number of Shares Held (In Thousands of Shares)</b>	<b>Carrying Amount</b>	<b>Market Value</b>
<u>December 31, 2020</u>			
Accton Investment	2,210	<u>\$ 50,999</u>	<u>\$ 698,318</u>
<u>December 31, 2019</u>			
Accton Investment	2,210	<u>\$ 50,999</u>	<u>\$ 371,258</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Revenue from the sale of goods	<u>\$ 51,270,498</u>	<u>\$ 49,953,689</u>

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.

The Company recognized the estimated possible sales return and discount of the refundable liabilities. As of December 31, 2020 and 2019, for information on the refund liability which amounted to \$16,605 thousand and \$3,179 thousand, respectively.

b. Contact balances

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>January 1, 2019</b>
Trade receivables (Note 10)	<u>\$ 6,426,493</u>	<u>\$ 4,162,120</u>	<u>\$ 5,387,144</u>
Contract liabilities - current			
Sale of goods	<u>\$ 914,356</u>	<u>\$ 542,726</u>	<u>\$ 331,042</u>

As of December 31, 2020 and 2019, the sales of goods from contract liabilities amounted to \$82,246 thousand and \$163,098 thousand, respectively.

c. Disaggregation of revenue

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Product</u>		
Switch	\$ 36,547,407	\$ 35,016,296
Network Application	7,642,137	9,040,402
Metro Access Switch	4,743,168	3,268,825
Other	1,325,984	1,046,124
Wireless	1,011,802	1,572,719
Broadband Access	<u>-</u>	<u>9,323</u>
	<u>\$ 51,270,498</u>	<u>\$ 49,953,689</u>
<u>Location</u>		
America	\$ 36,172,073	\$ 36,705,987
Europe	10,021,225	6,787,156
Taiwan (location of the Company)	3,301,866	5,666,887
Asia	1,772,115	793,659
Other	<u>3,219</u>	<u>-</u>
	<u>\$ 51,270,498</u>	<u>\$ 49,953,689</u>

## 23. NET PROFIT

a. Net profit

1) Interest income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Bank deposits	\$ 60,996	\$ 68,882
Financial assets at amortized cost	291	349
Others	<u>51</u>	<u>80</u>
	<u>\$ 61,338</u>	<u>\$ 69,311</u>

2) Other income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Grant income (Note 27)	\$ 10,761	\$ 2,576
Dividends	8,138	8,937
Others	<u>80,087</u>	<u>63,189</u>
	<u>\$ 98,986</u>	<u>\$ 74,702</u>

3) Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Net gain (loss) on fair value changes of financial assets		
Designated as at fair value through profit or loss	\$ 10,968	\$ (15,295)
Loss on disposal of subsidiary	-	(49)
Loss on lease modification	-	(231)
Net foreign exchange losses	(122,599)	(95,174)
Others	<u>(1,106)</u>	<u>(124)</u>
	<u>\$ (112,737)</u>	<u>\$ (110,873)</u>

4) Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest on loans	\$ 17,603	\$ 4,277
Interest on lease liabilities	<u>11,032</u>	<u>8,936</u>
	<u>\$ 28,635</u>	<u>\$ 13,213</u>

5) Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
An analysis of depreciation by function		
Operating costs	\$ 222,319	\$ 131,866
Operating expenses	<u>176,882</u>	<u>129,135</u>
	<u>\$ 339,201</u>	<u>\$ 261,001</u>
An analysis of amortization by function		
Operating costs	\$ 5,635	\$ 2,218
Operating expenses	<u>29,683</u>	<u>25,637</u>
	<u>\$ 35,318</u>	<u>\$ 27,855</u>

6) Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term benefits	\$ 3,179,664	\$ 2,629,388
Post-employment benefits (Note 20)		
Defined contribution plans	84,508	66,757
Defined benefit plans	<u>1,154</u>	<u>1,382</u>
Total employee benefits expense	<u>\$ 3,265,326</u>	<u>\$ 2,697,527</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 904,619	\$ 637,757
Operating expenses	<u>2,360,707</u>	<u>2,059,770</u>
	<u>\$ 3,265,326</u>	<u>\$ 2,697,527</u>

## 7) 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, 2020 and 2019, which have been approved by the Company's board of directors on March 18, 2021 and March 19, 2020, respectively, were as follows:

### Accrual rate

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Employees' compensation	11.25%	11.25%
Remuneration of directors	0.6%	0.7%

### Amount

	<u>For the Year Ended December 31</u>			
	<u>2020</u>		<u>2019</u>	
	<u>Cash</u>	<u>Share</u>	<u>Cash</u>	<u>Share</u>
Employees' compensation	\$ 779,607	\$ -	\$ 741,109	\$ -
Remuneration of directors	45,000	-	45,000	-

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, 2019 and 2018.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2021 and 2020 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:

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Current tax		
In respect of the current year	\$ 1,106,416	\$ 852,958
Income tax on unappropriated earnings	31,357	-
Adjustments for prior years	(52,272)	-
Deferred tax		
In respect of the current year	<u>(28,621)</u>	<u>(1,923)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,056,880</u>	<u>\$ 851,035</u>



A reconciliation of accounting profit and income tax expense is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Profit before tax from operations	<u>\$ 6,105,233</u>	<u>\$ 5,801,530</u>
Income tax expense calculated at the statutory rate	\$ 1,221,047	\$ 1,160,306
Income tax on unappropriated earnings	39,310	18,651
Nondeductible items expenses in determining taxable income	(68,166)	(263,034)
Investment credits	(83,039)	(64,888)
Adjustments for prior years' tax	<u>(52,272)</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 1,056,880</u>	<u>\$ 851,035</u>

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 deducted the amount of capital expenditure from the unappropriated earnings that was reinvested when calculating the tax on unappropriated earnings.

b. Current tax liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax liabilities		
Income tax payable	<u>\$ 1,295,338</u>	<u>\$ 749,646</u>

c. Deferred tax assets

The movements of deferred tax assets were as follows:

For the year ended December 31, 2020

	<b>Balance, Beginning of Year</b>	<b>Recognized in Profit or Loss</b>	<b>Balance, End of Year</b>
<u>Deferred tax assets</u>			
Temporary difference	<u>\$ 46,294</u>	<u>\$ 28,621</u>	<u>\$ 74,915</u>

For the year ended December 31, 2019

	<b>Balance, Beginning of Year</b>	<b>Recognized in Profit or Loss</b>	<b>Balance, End of Year</b>
<u>Deferred tax assets</u>			
Temporary difference	<u>\$ 44,371</u>	<u>\$ 1,923</u>	<u>\$ 46,294</u>

- d. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the balance sheets

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Deductible temporary differences	<u>\$ 488,961</u>	<u>\$ 438,263</u>

- e. Unrecognized deferred tax liabilities associated with investments

As of December 31, 2020 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 2018.

## 25. EARNINGS PER SHARE

	<b>Unit: NT\$ Per Share</b>	
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Basic earnings per share	<u>\$ 9.07</u>	<u>\$ 8.91</u>
Diluted earnings per share	<u>\$ 8.98</u>	<u>\$ 8.76</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 5,048,353</u>	<u>\$ 4,950,495</u>

Weighted average number of ordinary shares outstanding (in thousand shares):

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Weighted average number of ordinary shares in computation of basic earnings per share	556,352	555,633
Effect of potentially dilutive ordinary shares:		
Employee share option	2,682	4,056
Bonus to employees	<u>3,424</u>	<u>5,192</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>562,458</u>	<u>564,881</u>

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 and 20,000 thousand options on July 20, 2010. 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	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
<u>2019</u>				
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	<u>(410)</u>	14.20-14.70	<u>-</u>	-
Balance at December 31	<u>2,981</u>	14.20	<u>926</u>	8.60
<u>2020</u>				
Balance at January 1	2,981	\$ 14.20	926	\$ 8.60
Options exercised	(979)	13.80-14.20	(426)	8.60
Options canceled	<u>-</u>	-	<u>(500)</u>	8.60
Balance at December 31	<u>2,002</u>	13.80	<u>-</u>	-

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, 2020 was as follows:

	Options Outstanding			Options Exercisable	
	Number Outstanding (In Thousands)	Expected Remaining Contractual Life (In Years)	Weighted- average Exercise Price (NT\$)	Number Exercisable (In Thousands)	Weighted- average Exercise Price (NT\$)
<b>Exercise Price (NT\$)</b>					
<u>2014 option plan</u>					
\$ 13.80	<u>2,002</u>	3.69	\$ 13.80	<u>2,002</u>	\$ 13.80

Options granted in 2014 and 2010 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	2014	2010
Grant-date share price (\$)	\$ 17.90	\$ 15.25
Exercise price (\$)	17.90	15.25
Expected volatility	22.30%	46.56%
Expected life (years)	10 year	3.25 year
Expected dividend yield	-	-
Risk-free interest rate	1.63%	0.80%

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, 2020 and 2019.

## 27. GOVERNMENT GRANTS

As of December 31, 2020, the Company obtained a government preferential interest rate loan of \$1,218,000 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 1.10%-1.29%. Based on this, the fair value of the loan is estimated to be \$1,145,494 thousand. The difference between the amount obtained and the fair value of the loan is \$72,506 thousand, which is regarded as a government low interest loan and recognized as deferred income. In 2020 and 2019, the Company recognized other income of \$10,761 thousand and \$2,576 thousand and the interest expense of the loan of \$15,988 thousand and \$2,989 thousand, respectively.

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	<u>4</u>
Net assets disposed of	<u>\$ 54</u>

2) Loss on liquidation of subsidiary

	WayStorm Co., Ltd.
Consideration received	\$ 5
Net assets disposed of	<u>(54)</u>
Loss on disposal	<u>\$ (49)</u>

## 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
<u>Financial assets</u>					
Financial assets at amortized cost					
Bond investment	\$ 15,912	\$ -	\$ 15,049	\$ -	\$ 15,049

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, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 1,915,657	\$ -	\$ -	\$ 1,915,657
Unlisted shares	-	-	95,301	95,301
Total	<u>\$ 1,915,657</u>	<u>\$ -</u>	<u>\$ 95,301</u>	<u>\$ 2,010,958</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares	<u>\$ 136,947</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 136,947</u>

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	<u>\$ 315,232</u>	<u>\$ -</u>	<u>\$ 89,731</u>	<u>\$ 404,963</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares	<u>\$ 123,235</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,235</u>

There were no transfers between Level 1 and 2 for the years ended 2020 and 2019.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2020

Financial Assets	Financial Assets at FVTOCI Equity Instruments
Balance at January 1, 2020	\$ 89,731
Recognized in profit or loss (included in other gains and losses)	<u>5,570</u>
Balance at December 31, 2020	<u>\$ 95,301</u>

For the year ended December 31, 2019

<b>Financial Assets</b>	<b>Financial Assets at FVTOCI Equity Instruments</b>
Balance at January 1, 2019	\$ 107,022
Recognized in profit or loss (included in other gains and losses)	<u>(17,291)</u>
Balance at December 31, 2019	<u>\$ 89,731</u>

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of unlisted equity securities for 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.

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Price book ratio	1.830-4.049	1.415-4.901
Price-to-sales ratio	0.73-1.85	0.67-1.93
Liquidity discount	20%	20%

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	\$ 2,010,958	\$ 404,963
Financial assets at amortized cost (Note 1)	16,750,747	16,571,172
Financial assets at FVTOCI		
Investments in equity instruments	136,947	123,235
<u>Financial liabilities</u>		
Amortized cost (Note 2)	14,282,012	14,695,721

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 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 34.

#### 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.

	<b>USD Impact</b>	
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Profit or loss	\$ (27,945)	\$ (42,106)

### b) Interest rate risk

Interest rates of the Company's long-term bank loans are fixed and 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.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Fair value interest rate risk		
Financial assets	\$ 3,825,349	\$ 5,481,820
Financial liabilities	469,987	509,712
Cash flow interest rate risk		
Financial assets	1,328,772	2,005,388
Financial liabilities	1,163,470	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, 2020 and 2019 would decrease/increase by \$165 thousand and \$1,085 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, 2020 and 2019 would have increased/decreased by \$20,110 thousand and \$4,050 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, 2020 and 2019 would have increased/decreased by \$1,369 thousand and \$1,232 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, 2020 and 2019, 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, 2020

	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	\$ 8,740,377	\$ 3,922,271	\$ 455,078	\$ 816	\$ 13,118,542
Lease liabilities	3,440	9,707	87,604	443,193	543,944
Variable interest rate liabilities	18	36	164	1,218,513	1,218,731
Noninterest bearing	<u>\$ 8,743,835</u>	<u>\$ 3,932,014</u>	<u>\$ 542,846</u>	<u>\$ 1,662,522</u>	<u>\$ 14,881,217</u>

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	<u>\$ 100,751</u>	<u>\$ 262,844</u>	<u>\$ 46,119</u>	<u>\$ 41,101</u>	<u>\$ 40,039</u>	<u>\$ 53,090</u>

#### 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	<u>\$ 9,609,481</u>	<u>\$ 2,843,595</u>	<u>\$ 1,412,951</u>	<u>\$ 1,477,356</u>	<u>\$ 15,343,383</u>

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	<u>\$ 90,377</u>	<u>\$ 322,838</u>	<u>\$ 44,155</u>	<u>\$ 35,791</u>	<u>\$ 35,791</u>	<u>\$ 60,248</u>

b) Financing facilities

	December 31	
	2020	2019
Unsecured bank overdraft facility, reviewed annually and payable at call:		
Amount used	\$ 1,218,000	\$ 973,000
Amount unused	<u>5,489,470</u>	<u>6,125,970</u>
	<u>\$ 6,707,470</u>	<u>\$ 7,098,970</u>

The Company does not have bank loan facilities which may be extended by mutual agreement on December 31, 2020 and 2019.

### 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
Accton Global Inc.	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	
		2020	2019
Sales	Accton Global Inc.	\$ 15,324,521	\$ 13,734,453
	Accton Logistics Corporation	4,247,825	3,955,240
	Edgecore Networks Corp.	2,334,964	4,995,788
	Other Subsidiaries	<u>137,548</u>	<u>156,145</u>
		<u>\$ 22,044,858</u>	<u>\$ 22,841,626</u>

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	
		2020	2019
Purchase	Joy Technology (Shenzhen) Co., Ltd.	\$ 22,447,913	\$ 29,089,029
	Other Subsidiaries	<u>139,290</u>	<u>1,018,507</u>
		<u>\$ 22,587,203</u>	<u>\$ 30,107,536</u>

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	
		2020	2019
Operating expense	Accton Technology Corporation (USA)	\$ 130,675	\$ 86,579
	Edgecore Networks Corp.	186	394,276
	Other Subsidiaries	<u>10,042</u>	<u>25,746</u>
		<u>\$ 140,903</u>	<u>\$ 506,601</u>

The Company's operating expenses are mainly overseas support fees.

The supporting fees of overseas 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	
		2020	2019
Other revenue	Edgecore Networks Corp.	\$ 17,374	\$ 5,286
	Subsidiary	<u>2,830</u>	<u>5,171</u>
		<u>\$ 20,204</u>	<u>\$ 10,457</u>

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	
		2020	2019
Trade receivables from related parties	Accton Global Inc.	\$ 4,362,818	\$ 2,865,142
	Accton Logistics Corporation	226,961	645,248
	Edgecore Networks Corp.	144,378	385,927
	Other Subsidiaries	14,827	42,717
	Transfer of investment loans using the equity method	(363,381)	(141,886)
	Transfer to other receivables from related parties	<u>-</u>	<u>(14,769)</u>
		<u>\$ 4,385,603</u>	<u>\$ 3,782,379</u>
Other receivables from related parties	Joy Technology (Shenzhen) Co., Ltd.	\$ 432,883	\$ 515,140
	Other Subsidiaries	22,898	512,794
	Transfer of investment loans using the equity method	<u>-</u>	<u>(14,009)</u>
		<u>\$ 455,781</u>	<u>\$ 1,013,925</u>

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	
		2020	2019
Trade payables to related parties	Joy Technology (Shenzhen) Co., Ltd.	\$ 5,204,304	\$ 6,714,543
	Edgecore Networks Corp.	<u>-</u>	<u>223,294</u>
		<u>\$ 5,204,304</u>	<u>\$ 6,937,837</u>
Other payables to related Parties	Accton Technology Corporation (USA)	\$ 116,644	\$ 124,783
	Joy Technology (Shenzhen) Co., Ltd.	25,246	2,772
	Accton Technology Co., Ltd.	6,872	27,250
	Other Subsidiaries	<u>1,917</u>	<u>10,672</u>
		<u>\$ 150,679</u>	<u>\$ 165,477</u>

The general payment terms of the Company are 45 to 90 days.

h. Acquisitions of property, plant and equipment

Related Party Name	Purchase Price	
	2020	2019
Subsidiary	<u>\$ 12,958</u>	<u>\$ 6,889</u>

The transaction of property, plant and equipment between the Company and related parties is based on the agreed terms.

i. Disposals of property, plant and equipment

Related Party Name	Proceeds Price	
	2020	2019
Subsidiary	<u>\$ 577</u>	<u>\$ 86</u>

The transaction of property, plant and equipment between the Company and related parties is based on the agreed terms.

j. Acquisition of intangible assets

Related Party Name	Purchase Price	
	2020	2019
Subsidiary	<u>\$ 426</u>	<u>\$ -</u>

The transaction of intangible assets between the Company and related parties is based on the agreed terms.

k. Purchase of long-term investment on stocks

Related Party Name	Proceeds Price	
	2020	2019
Edgecore Cayman Corp.	<u>\$ -</u>	<u>\$ 35,316</u>

In order to reorganize the Group's organizational structure, the Company acquired 100% of Accton Global Inc.'s shares which were held by Edgecore Cayman Corp. in August 2019.

1. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 138,306	\$ 95,483
Termination benefits	<u>1,749</u>	<u>674</u>
	<u>\$ 140,055</u>	<u>\$ 96,157</u>

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:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Pledge time deposits (classified as other non-current assets-other)	<u>\$ 27,773</u>	<u>\$ 22,000</u>

**33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS**

As of December 31, 2020, the Company needed to issue a letter of guarantee from the bank to the customs for import/export goods amounted to \$23,000 thousand.

**34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES**

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, 2020

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 517,644	28.48 (USD:NTD)	\$ 14,742,494

Financial liabilities

Monetary items			
USD	419,521	28.48 (USD:NTD)	11,947,968

December 31, 2019

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
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

The significant realized and unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2020		2019	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	29.549 (USD:NTD)	<u>\$ (122,599)</u>	30.912 (USD:NTD)	<u>\$ (95,174)</u>

### 35. 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 2020's Note 6.

c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 8)

**TABLE 1**

**ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(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 Corporation	1	\$ 1,448,034	\$ 23,000	\$ 23,000	\$ 23,000	\$ -	0.16	\$ 4,344,102	No	No	No
0	Accton Technology Corporation	Accton Global, Inc.	2	1,448,034	284,800 (USD 10,000)	284,800 (USD 10,000)	200,784 (USD 7,050)	-	1.97	4,344,102	Yes	No	No
0	Accton Technology Corporation	Accton Technology Co., Ltd.	2	1,448,034	142,400 (USD 5,000)	142,400 (USD 5,000)	-	-	0.98	4,344,102	Yes	No	Yes
1	Edgecore Network Corporation	Edgecore Network Corporation	1	1,137,018	11,000	11,000	11,000	-	0.97	1,137,018	No	No	No
1	Edgecore Network Corporation	Accton Global, Inc.	4	1,137,018	300,200	-	-	-	-	1,137,018	No	No	No
2	Accton Global, Inc.	Accton Logistics Corporation	4	56,424	42,720 (USD 1,500)	42,720 (USD 1,500)	42,720 (USD 1,500)	-	75.71	56,424	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.

TABLE 2

## ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

(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, 2020				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
Accton Technology Corporation	<u>Fund</u>							
	Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss - current	18,740	\$ 280,157	-	\$ 280,157	-
	Allianz Global Investors Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	19,792	250,025	-	250,025	-
	Fuh Hwa Money Market Fund	-	Financial assets at fair value through profit or loss - current	16,503	240,019	-	240,019	-
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss - current	15,078	230,017	-	230,017	-
	FSITC Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,113	200,225	-	200,225	-
	Taishin Ta-Chong Money Market Fund	-	Financial assets at fair value through profit or loss - current	13,976	200,135	-	200,135	-
	UPAMC James Bond Money Market Fund	-	Financial assets at fair value through profit or loss - current	11,879	200,056	-	200,056	-
	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,083	100,001	-	100,001	-
	Fuh Hwa You Li Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,261	85,004	-	85,004	-
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,325	80,015	-	80,015	-
	Yuanta De- Bao Money Market Fund	-	Financial assets at fair value through profit or loss - current	4,129	50,003	-	50,003	-
	<u>Shares</u>							
	First Hi-Tec Enterprise Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	1,496	78,516	2%	78,516	-
	Cathay financial holding Co., Ltd. - preference shares	-	Financial assets at fair value through other comprehensive income - current	830	51,294	-	51,294	-
	Cathay financial holding Co., Ltd. - preference share B	-	Financial assets at fair value through other comprehensive income - current	35	2,183	-	2,183	-
	Clientron Corp.	-	Financial assets at fair value through other comprehensive income - current	289	4,954	-	4,954	-
	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	-	-	-	-
	Pershing Systems Corp.	-	Financial assets at fair value through profit or loss - non-current	2,459	58,954	9%	58,954	-

(Continued)



Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
Accton Technology Corporation	i Pass Corporation	-	Financial assets at fair value through profit or loss - non-current	1,599	\$ 27,205	2%	\$ 27,205	-
	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	9,142	15%	9,142	-
	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	-	-	-	-
	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)	<u>Shares</u> Accton Technology Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	2,210	50,999	-	693,318	-
	Volterra, Inc. -preference share A	-	Financial assets at fair value through profit or loss - non-current	319	-	1%	-	-
	Volterra, Inc. -preference share B	-	Financial assets at fair value through profit or loss - non-current	34	-	-	-	-
	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	-	-	-	-
	Dustphotonics, Inc. -preference share A	-	Financial assets at fair value through profit or loss - non-current	38	-	-	-	-
	Dustphotonics, Inc. -preference share B	-	Financial assets at fair value through profit or loss - non-current	5	-	-	-	-
	Tallac Networks, Inc.	-	Financial assets at fair value through profit or loss - non-current	254	-	-	-	-

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
Accton Investment Corp. (BVI)	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%	-	-
	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.	<u>Shares</u> @ 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	-	-	-	-

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
Accton Century holding (BVI) Co., Ltd.	Fortress	-	Financial assets at fair value through profit or loss - non-current	-	\$ -	-	\$ -	-
ACCTON ASIA INVESTMENT CORP. (BVI)	<u>Shares</u> Zhuhai Jinfangda Technology Co., Ltd.		Financial assets at fair value through profit or loss - non-current	-	15,038	18%	15,038	-
Nocsys Inc.	<u>Shares</u> Noctilucent (HK) Limited	-	Financial assets at fair value through profit or loss - non-current	-	-	19%	-	-
Edgecore Networks Corp.	<u>Fund</u> UPAMC James Bond Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,535	110,052	-	110,052	-
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,325	80,010	-	80,010	-
	Taishin Ta-Chong Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,609	23,038	-	23,038	-
	<u>Shares</u> ALFA Network Inc.	-	Financial assets at fair value through profit or loss - non-current	969	26,418	19%	26,418	-
	<u>Shares</u> Humax Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	369	55,996 (USD 1,966)	-	55,996 (USD 1,966)	-
SMC NETWORKS, INC.	Wedge Networks	-	Financial assets at fair value through profit or loss - non-current	250	-	1%	-	-
Joy Technology (Shenzhen) Co., Ltd.	<u>Structured Deposits</u> Standard Chartered Bank (China) Limited. - Extendable Deposits	-	Financial assets at fair value through profit or loss - current	-	284,818 (RMB 65,253)	-	284,818 (RMB 65,253)	-

Note 1: As of December 31, 2020 the above marketable securities had not been pledged or mortgaged.

Note 2: Information on subsidiaries and associates refer to Table 7 and 8.

(Concluded)

**TABLE 3**

**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, 2020  
(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	FSITC Money Market	Financial assets at fair value through profit or loss - current	-	-	1,139	\$ 204,080	2,283	\$ 410,000	2,309	\$ 414,466	\$ 414,015	\$ 451	1,113	\$ 200,225
	Taishin Ta-Chong Money Market	Financial assets at fair value through profit or loss - current	-	-	-	-	88,113	1,260,000	74,137	1,060,207	1,060,000	207	13,976	200,135
	UPAMC James Bond Money Market	Financial assets at fair value through profit or loss - current	-	-	6,625	111,152	53,801	905,000	48,547	816,539	816,000	539	11,879	200,056

Note: Disposed carrying amount is the acquisition cost.

**TABLE 4**

**ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		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	\$ 22,447,913	52	Mainly paid on the 75th day after the shipment date	Specified at each transaction	Mainly paid on the 75th day after the shipment date	\$ (5,204,304)	60	-
	Edgecore Networks Corp.	Subsidiary	Purchase	103,237	-	Mainly paid on the 45th day after the shipment date	Specified at each transaction	Mainly paid on the 45th day after the shipment date	-	-	-
	Accton Global, Inc.	Subsidiary	Sale	15,324,521	28	Mainly paid on the 75th day after the shipment date	Specified at each transaction	Mainly paid on the 75th day after the shipment date	4,362,818	49	-
	Accton Logistics Corp. (USA)	Subsidiary	Sale	4,247,825	8	Mainly paid on the 90th day after the shipment date	Specified at each transaction	Mainly paid on the 90th day after the shipment date	226,961	3	-
	Edgecore Networks Corp.	Subsidiary	Sale	2,234,964	4	Mainly paid on the 45th day after the shipment date	Specified at each transaction	Mainly paid on the 45th day after the shipment date	144,378	2	-
	SMC Networks Inc.	Subsidiary	Sale	107,576	-	Mainly paid on the 60th day after the shipment date	Specified at each transaction	Mainly paid on the 60th day after the shipment date	12,001	-	-
Joy Technology (Shenzhen) Co., Ltd.	Accton Technology Co., Ltd.	Held by the same ultimate holding company	Sale	1,195,576	2	Mainly paid on the 75th day after the shipment date	Specified at each transaction	Mainly paid on the 75th day after the shipment date	443,856	5	-
Edgecore Networks Corp.	Edgecore Americas	Subsidiary	Sale	1,284,317	2	Mainly paid on the 75th day after the invoice date	Specified at each transaction	Mainly paid on the 75th day after the invoice date	501,723	6	-

**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, 2020**  
**(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	Accton Global, Inc.	Subsidiary	\$ 4,368,032	4.24	\$ 1,414,674	-	\$ 1,414,674	\$ -
	Joy Technology (Shenzhen) Co., Ltd.	Investment accounted for using the equity method indirect subsidiary	432,883	Note 2	-	-	-	-
	Accton Logistics Corp. (USA)	Subsidiary	227,599	9.75	-	-	-	-
Joy Technology (Shenzhen) Co., Ltd.	Edgecore Networks Corp.	Subsidiary	159,753	8.81	-	-	-	-
	Accton Technology Corporation	Ultimate parent company	5,229,550	3.77	100,745	Strengthen collection	54,453	-
	Accton Technology Co., Ltd.	Held by the same ultimate holding company	443,856	2.15	1,990	Strengthen collection	1,606	-
Edgecore Networks Corporation	Edgecore Americas	Subsidiary	502,212	3.14	314,713	Strengthen collection	85,524	-

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.

**TABLE 6**

**ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**INFORMATION ON INVESTEEES IN MAINLAND CHINA (EXCLUDING ANY INVESTEEES COMPANY IN MAINLAND CHINA )**  
**DECEMBER 31, 2020**  
**(In Thousands of New Taiwan Dollars)**

Investor Company	Equity-method Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2020			Net Income of the Equity-method Investee	Investment Income	Note
				December 31, 2020	December 31, 2019	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	\$ 4,390,922	\$ 204,880	\$ 187,396	Notes 1 and 2
	Edgecore Networks Corp.	Hsinchu	Research, development, design and manufacture of switching hubs	650,000	650,000	50,000	100	1,117,402	160,695	160,695	Note 1
	SMC Networks Inc.	USA	Sale of network products	769,644	769,644	24,149	100	147,303	(1,391)	(1,391)	Note 1
	Accton Technology (China) Co., Ltd.	Cayman Islands	Investment holding company	279,635	279,635	6,600	100	93,236	(8,062)	(8,062)	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	169,173	1,818	1,818	Note 1
	Accton Investment Corp. (BVI)	British Virgin Islands	Investment holding company	79,676	79,676	1,004	100	127,483	(37,272)	(50,952)	Note 1
	Accton Logistics Corp. (USA)	USA	Selling and marketing of high-quality LAN hardware and software products	89,267	89,267	1	100	82,701	2,405	2,405	Note 1
	Accton Global, Inc.	USA	Selling and marketing of high-quality LAN hardware and software products	35,316	35,316	10	100	(363,381)	18,930	18,930	Note 1
	Nocsys Inc.	Cayman Islands	Investment holding company	199,434	199,434	50,000	100	2,720	(141)	(141)	Note 1
	E-Direct Corp.	Taipei	Provides services in information software and information technology	43,075	43,075	3,852	100	79,926	20,460	20,460	Note 1
	Metalligence Technology Corp.	Taipei	Provides e-commerce apps, information software and advertising services	46,407	46,407	4,641	100	3,521	(8,803)	(8,803)	Note 1
	Oenix Biomed Co., Ltd.	Taipei	Research and development of health care services and equipment	20,000	20,000	2,000	40	12,929	(3,599)	(1,440)	Note 1
	4ipnet, Inc.	Taipei	Research, development, manufacture and selling of wireless products and solutions for enterprises	50,000	50,000	7,840	98	3	14,335	19,282	Notes 1 and 2
Accton Century Holding (BVI) Co., Ltd.	Accton Asia Investments Corp. (BVI)	British Virgin Islands	Investment holding company	1,199,179 (USD 42,106)	1,199,179 (USD 42,106)	42,106	100	4,333,773	229,073	229,073	Note 1
Accton Investment Corp. (BVI)	Alpha Telecom, Inc.	USA	Sale and manufacture of Communication transmission, VoIP and IDS equipment	7,120 (USD 250)	7,120 (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, 2020			Net Income of the Equity-method Investee	Investment Income	Note
				December 31, 2020	December 31, 2019	Shares (Thousands)	% of Ownership	Carrying Value			
Edgecore Networks Corp.	Edgecore Networks Singapore Pte. Ltd.	Singapore	Sell high-quality LAN hardware and software products	\$ 22,466	\$ 22,466	3,557	100	\$ 24,239	\$ 2,244	\$ 2,244	Note 1
	Edgecore Cayman, Corp.	Cayman Islands	Investment holding company	30,285	30,285	1,000	100	475	46,816	46,816	Note 1
	Horwood Limited	Cayman Islands	Investment holding company	6,868	6,868	2,000	100	7,991	(546)	(546)	Note 1
Edgecore Cayman Corp.	Edgecore Americas Networking Corp.	USA	Sell high-quality LAN hardware and software products	285	285	10	100	(33,044)	49,044	49,044	Note 1
				(USD 10)	(USD 10)						
Edgecore Networks Singapore Pte. Ltd.	Accton Technology Vietnam Company Limited	Vietnam	Sale of network products	-	8,544	-	-	-	-	-	Notes 1 and 4
					(USD 300)						

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: Accton Technology Vietnam Company Limited completed its liquidation in August 2020.

(Concluded)



TABLE 7

## ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(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, 2020 (Note 2)	Investment Flows		Accumulated Outflow Remittance for Investment from Taiwan as of December 31, 2020 (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, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outflow	Inflow							
Joy Technology (Shenzhen) Co., Ltd.	Selling and producing of high-end networks switches	\$ 1,267,360 (USD 44,500)	Note 1	\$ 1,053,760 (USD 37,000)	\$ -	\$ 469,920 (USD 16,500)	\$ 583,840 (USD 20,500)	\$ 228,339	100%	\$ 228,339	\$ 4,299,747	\$ 469,920 (USD 16,500)	Note 3
Accton Technology Co., Ltd.	Selling and marketing of network products	170,880 (USD 6,000)	Note 1	170,880 (USD 6,000)	-	-	170,880 (USD 6,000)	(7,717)	100%	(7,717)	86,694	-	Note 3
Noctilucent Systems (Shanghai) Limited	Development, design and manufacture of software, selling product and consultation and service of technique	142,400 (USD 5,000)	Note 1	187,028 (USD 6,567)	-	-	187,028 (USD 6,567)	-	-	-	-	-	Notes 5 and 8
ATAN Networks Co., Ltd.	Selling and marketing of network products	56,960 (USD 2,000)	Note 10	56,960 (USD 2,000)	-	-	56,960 (USD 2,000)	(17,948)	100%	(17,948)	(14,544)	-	Note 3
MuXi Technology Co., Ltd.	Selling and marketing of network products	4,365 (RMB 1,000)	Note 11	-	-	-	-	894	100%	894	5,261	-	Notes 3 and 11

Equity-method Investee Company	Accumulated Investment in Mainland China as of December 31, 2020 (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 20,500	USD 44,500 (Note 4)	\$ 8,688,204
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, 2020.

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.

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 Affairs 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: 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.

Note 11: Accton Technology Co., Ltd.'s indirect investment in a company located in mainland China

**TABLE 8****ACCTON TECHNOLOGY CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2020**

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Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Golden Tengis Co., Ltd	45,113,765	8.06

**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

(I) Analysis of the changes in the financial status of the most recent two years:

Unit: NT\$ 1,000

Items	Year	2020	2019	Differences	
				Amount	%
Current Assets		28,440,301	27,048,534	1,391,767	5.15%
Property, Plant and Equipment		1,502,317	1,324,280	178,037	13.44%
Other Assets		1,105,909	1,094,746	11,163	1.02%
Total Assets		31,122,969	29,521,087	1,601,882	5.43%
Current Liabilities		14,831,457	15,237,848	(406,391)	(2.67%)
Non-current Liabilities		1,808,439	1,480,262	328,177	22.17%
Total liabilities		16,639,896	16,718,110	(78,214)	(0.47%)
Share Capital		5,594,564	5,580,514	14,050	0.25%
Capital Reserve		824,883	805,715	19,168	2.38%
Accumulated Profit or Loss		8,585,113	7,003,401	1,581,712	22.58%
Equity Attributable to Owners of Parent Companies		14,480,340	12,802,977	1,677,363	13.10%

(II) The main reasons for the significant changes in assets, liabilities and equity in the past two years and their impact:

1. The increase in non-current liabilities is due to the increase in long-term loans.
2. The increase in accumulated profits or losses is driven by an increase in profits earned for the current period.

(III) 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\$ 1,000

Items	Year	2020	2019	Amount of Increase (Decrease)	Percentage of Change (%)	Change Analysis
Net Sales Revenue		54,462,872	55,401,047	(938,175)	(1.69%)	
Cost of Sales		42,908,810	44,402,285	(1,493,475)	(3.36%)	
Gross Profit		11,554,062	10,998,762	555,300	5.05%	
Operating Expenses		5,151,399	4,958,779	192,620	3.88%	
Net Operating Profit (Loss)		6,402,663	6,039,983	362,680	6.00%	
Non-operating Income and Expenses		(189,768)	89,662	(279,430)	(311.65%)	1
Pre-tax profit (loss)		6,212,895	6,129,645	83,250	1.36%	
Income Tax Expenses		1,164,255	1,180,073	(15,818)	(1.34%)	
Net profit (loss)		5,048,640	4,949,572	99,068	2.00%	
Net Profit Attributable to Owners of Parent Companies		5,048,353	4,950,495	97,858	1.98%	

Analysis of Changes in Percentage:

1. Decrease in non-operating income and expenses: due to exchange rate fluctuation for the current period.

### III. Cash Flow

#### (I) Analysis of the Changes of Cash Flow in the Most Recent Two Years

Items	Year	2020	2019	Percentage of Increase/Decrease (%)
Cash Flow Ratio		23.41	56.51	(58.57%)
Cash Flow Adequacy Ratio		35.84	51.81	(30.82%)
Cash Flow Reinvestment Ratio		0.12	37.63	(99.68%)

#### Analysis of Changes in Percentage:

1. Cash flow ratio, cash flow adequacy ratio and cash flow reinvestment ratio are the results of the decrease in cash inflow due to increase in accounts receivable and inventory.

#### (II) Plan for improving insufficient liquidity: None.

#### (III) Analysis of cash liquidity of the following year:

Unit: NT\$ 1,000

Cash at Beginning of Year(A)	Net Cash Flows from Operating Activities(B)	Cash Flows Used(C)	Cash Surplus (Inadequacy) (A) + (B) - (C)	Remedial Measures for Cash Inadequacy	
				Investment Plan	Financial Plan
4,894,509	5,476,089	5,421,904	4,948,694	-	-

#### 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 2021.
- (2) Investing and financing activities: Cash outflow from investing activities is mainly the estimated amount for Construction of Zhubei Building and the purchase and replacement of equipment and instruments, and cash dividends to shareholders, directors and employees in 2021.

#### 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	Book value at Dec. 31, 2020
Joy Technology (Shenzhen) Corporation	The production and sale of computer network adaptors	2005	100%	4,299,747
Edgecore Networks Corporation	The research, development, design, manufacture and sale of network switches	2009	100%	1,117,402

(II) Analysis of Profit and Loss of Policies on Investment in Other Companies

- (1) Investment in mainland China was due to the decrease 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\$228,339 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/400G ultra-high-speed backbone data switches for open networking, as well as optical transport switches used by open telecom operators and 5G base station backhaul routers. During the period, profit from the investment in Edgecore Networks amounted to NT\$160,695 thousand.

(III) 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)

(I) Impact of interest rate, exchange rate fluctuations and inflation on Accton's profit and loss, and future strategies:

In 2020, due to global impact of COVID-19, almost all countries are experiencing economic recession. Taiwan is one of few countries where the epidemic is well controlled, and economic activities work normally. In particular, electronics industry is benefited therefrom. In 2021, the COVID-19 epidemic is expected to continue. Fortunately, vaccine has been introduced in succession. However, global coverage and epidemic prevention of the vaccine remains to be seen. On the other hand, as the new US President takes office, Sino-US relation will become another unpredictable variable.

In light of uncertainty arising from COVID-19 and Sino-US relation, exchange rate/ interest rate fluctuation and inflation are inevitable this year. Amidst such uncertainties in the market, Accton will remain prudent, pay close attention to development of global overall economy, and establish response strategies based on Accton's risk management mechanism and if necessary, financial instruments as auxiliary to avoid the impact of above situation on the operation, profit and loss of Accton.

(II) 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, so the company's 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.

(III) Future R&D Plans and Expected R&D Spending:

Development after the major events in 2020 will affect the life of everyone in the world. Remote working pattern and medical health dominate development of trends. The communication market sees increasing rapid change and development in terms of advanced technology, network communication, security structure, cloud computing and open business mode. In relevant application areas, high bandwidth, low delay, high precision, AI, edge computing, network security and other services play a very important role to development of today's communication industry. We will not only continue optimization in terms of faster port speed, big power, heat dissipation, high signal-to-noise ratio, time synchronization, optical

technology and security technology, but also impose more strict requirements on high workmanship quality and automation production quality in light of R&D, so as to continue providing high-quality services and competitive products, rapidly respond to customer's demands, and make contributions to the communication market.

Accton will continue applications in data center, AI, front-end technology, telecommunications, Internet of Things (IoT) and wireless, continues focusing on forward-looking, developmental and feasible areas of technical and commercial prospects, and hope to become the leader of communication industry, to make contributions to the industrial development, work together to address the problems in concern, and create a better future.

In general, the whole product R&D plan mainly covers the following areas:

#### 1. Enterprise Ethernet switch

Accton will speed up research and development of traditional Ethernet switch with PoE product of the latest specification, so as to continue providing the end users with cost-effective products of fast product cycle. Apart from business mode of ODM, Accton also develops software for network operation system. After strict system integration test, such products will be available to the customers to enable them to develop complete products in the shortest period, in particular to open network business mode, so as to increase the operating income.

#### 2. Telecommunication switch

In development of 5G market, Accton will actively develop and provide more value-added products for backhaul network, aggregation network, edge computing, front-haul network, and optical fiber transmission network. In addition to the existing business mode, Accton will also actively participate in a number of open activities of telecommunications, including hardware and software communities, to promote hierarchy of network structure, facilitate product innovation progress, lead unified open structure criteria, and change telecom industry ecology. Accton will be devoted to high conformity, high stability, low delay, security, heat management, virtualization, programmable, high-precision time synchronization, optical modulation and RF network system, to create products of high profit and high difference. In recent years, there are more requirements for layout and construction of base station for action network. Evolution of telecommunication network layout and construction increases user coverage, data flow and network slicing requirements, and provide better product user experience.

#### 3. Data center, AI and front-end technology

High-speed data center equipment development projects focus on such equipment as high-end high-performance Ethernet exchangers, intelligent network interface controller (INIC), long-distance optical equipment, and wavelength exchanger from low speed to high speed. At present, the speed is at 600G-800G. Accton continues being committed to higher transmission speed and longer transmission distance. Accton actively participates in the activities of the open network community, including hardware, software, operation system service application, etc. to facilitate fast iterative development in light of our innovative research and development force. Meanwhile, Accton also establishes positive cooperation with third-party software manufacturers, so as to rapidly develop the network software system, promote the network hierarchical structure, and increase opportunities of the network open market. As more and more new technologies and new markets come into being, Accton will actively maintain and establish close partnership with manufacturers of advanced technology, and have deep communication with the customers, to accumulate more important information for product development, and build a solid team in respect of sale, marketing, R&D and production.

In the framework of software-defined network and AI, continuous R&D can relieve the workload of the server, enhance the efficiency of the server, and enable independent operation in IO virtualized environment. Accton also focuses on development of high-efficiency engine

products, so as to provide a platform integrating data processing, controller and service applications, and establish end-to-end service model, such as virtual container, service chain, and virtual container management system, to meet complete system building and solution, and platform requirements of high scalability and high reliability.

Furthermore, in response to the requirements on heat dissipation of high-speed data center with large amount of power computing, Accton will be also devoted to research and development of these high-end technologies, looking forward to make achievement and develop a new path.

Combined with the above development plan, Accton will continue researching and developing network products that have competitive price efficiency ratio, good signal power integration degree, low energy consumption and safe information network, to maintain and expand its leading position in this product and market field.

#### 4. Internet of Things (IoT)

In communication technology, Accton researches and develops sensing network gateway, cloud data analysis backend platform, sensors and brake, in order to provide integrate end-to-end solution; vertical integration for different applications meets the customer's requirements, so as to make use safe and easy, and improve convenience of life. In response to the trend of operator's IoT, we take part in test of conceptual verification platform, build and operate physical structure, increase substantive experience and operating income, and integrate data from different application areas, so as to achieve more efficient intelligent analysis and application.

#### 5. Wireless network

Accton continues investing more advanced wireless technology, so as to provide better products to the customers and users. Meanwhile, Accton also takes part in open community, to develop relevant wireless products for close combination with 5G. Accton integrates cloud, improves wireless products and technologies, researches and develops more stable and high value-added end-to-end systems, enhances intelligent automation of factory production, and continues improving product manufacturing costs and quality, so as to increase competitiveness and operating income.

The above product R&D planning is being in the way as planned. In face of unpredictable changes and challenges, Accton synchronously observes the market trends, and adjusts the R&D paces, hoping to achieve favorable competitiveness, increase the operating income, and create a better future. In 2021, in response to business growth and demand, Accton continues its investment in the new plan. It is estimated that R&D expenses will take up about 5% of the operating income.

#### (IV) 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.

#### (V) 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.

(VI) Impact of the changes in corporate image on Accton's risk management, and countermeasures:  
Accton has build 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.

(VII) 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.

(VIII) The expected benefits and possible risks to expand plants, and countermeasures:

Expected Benefits

- 1.Reducing the impact of 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 11, machine combination increased, production capacity doubled.
- 3.Building offsite production risk management and capacity adjustment systems

Possible Risks

- 1.Recruitment will be restricted by market supply and government regulations, unable to keep pace with the progress of plant construction.
- 2.In response to the COVID-19 in 2019, countries began to implement entry and exit restrictions, affecting the recruitment and return of foreign employees.
- 3.Loss of capacity caused by continuous epidemic situation and non-smooth material supply.

Countermeasures

- 1.Integrate SMT production line of Headquarters with Zhunan Factory, and reduce management and plant rental costs.
- 2.Optimize the product lines in Taiwan by means of new production lines and equipment, automation and technology upgrading.
- 3.Continue to negotiate with customers about business strategies of offsite support and maintenance, and regulate 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.

(IX) 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.

(X) 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:  
There is no significant transfer or replacement of shares of the Company's directors.

(XI)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.



(XII)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.

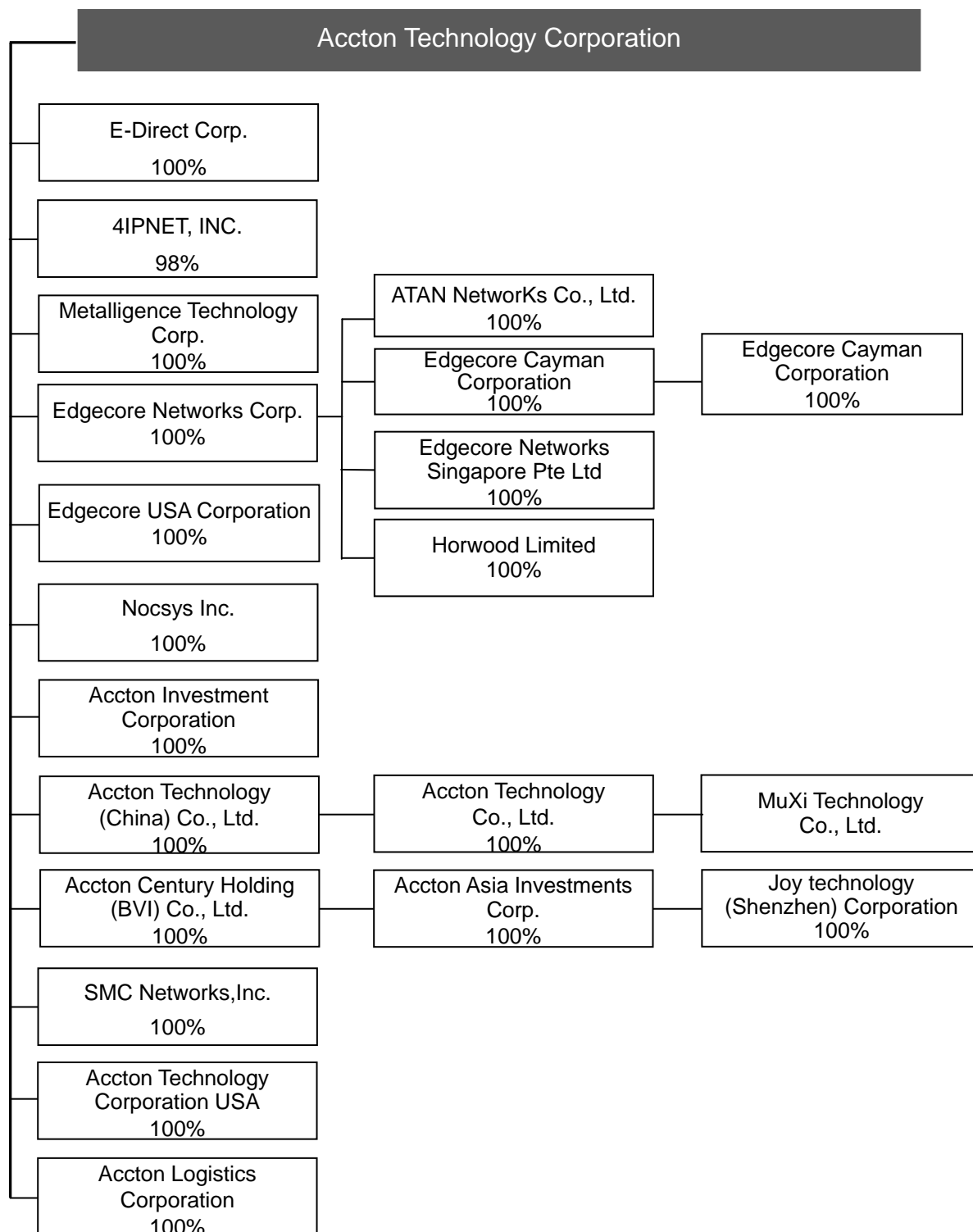
VII. Other Important Matters: None.

## 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, 2020

(2) Basic Information about Related Companies

Company Name	Date of Establishment	Address	Paid-up 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 Irvine CA 92618 USA	USD	48,298	Sales 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 network switch
Accton Techonlogy (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	1F, 63#, No., 421 HongCao Rd., Shanghai, China	CNY	49,650,360	Sales of computer and network related products
MuXi Technology Co., Ltd.	2020/9/30	6th floor, Datcent Technology Building, 21 Huashen road, Yuhuatai district, Nanjing	CNY	1,000,000	Sales 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
Accton Global, Inc.	2015/5/1	20 Mason Irvine CA 92618 USA	USD	10,000	Sales and marketing of high-quality local area network products
Edgecore Networks Corp.	2009/11/4	No.1, Creation Road 3, Hsinchu Science Park, Hsinchu, Taiwan (R.O.C.)	NTD	500,000,000	The research, development, design, manufacture and sale 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
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
Edgecore Cayman	2017/7/5	3rd Floor, Harbour Centre, PO	NTD	30,285,000	Holding company

Corporation		Box 613, George Town, KY-1107, Grand Cayman, British West Indies			which transfers from operation to investment
Edgecore Americas Networking Corporation	2017/6/19	20 Mason Irvine CA 92618 USA	USD	10,000	Sales and marketing of high-quality local area network products
ATAN Networks Co., Ltd.	2005/11/1	1F, 63#, No., 421 HongCao Rd., Shanghai, China	CNY	15,888,160	Sales of computer and network related 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
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	Edgar Masri	0	0.00%
	Director	Paul Kim	0	0.00%
	Director	Yu, Ji-Hsiang	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%
MuXi Technology Co., Ltd.	Chairman of the Board	Huang, Kuo-Hsiu	0	0.00%
	Director	Zhang, Hao	0	0.00%
	Director	Liu, Ming-Shou	0	0.00%
	Director	Chan, Ju-Neng	0	0.00%
	Supervisor	Song, Xiao-Wu	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%

Company Name	Job Title	Name or Representative	Shares Held (Note 2) (Note 3)	
			Number of Shares	Shareholding Ratio
Accton Global, Inc.	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 Technology Corporation: Chiang, Ying-Hui	50,000,000	100.00%
	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%
Edgecore Cayman Corporation	Director	Representative of Edgecore Networks Corp: Lin, Meen-Ron	30,285,000	100.00%
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 NetworkKs 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	4,640,717	100.00%

Company Name	Job Title	Name or Representative	Shares Held (Note 2) (Note 3)	
			Number of Shares	Shareholding Ratio
4IPNET, INC.	Supervisor	Accton Technology Corporation: Chen, Fang-I		
		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	Profit or loss for the period (After Tax)	Earnings Per Share (NT\$) (After Tax)
Accton Logistics Corporation	0	337,587	232,971	104,616	4,619,834	2,786	2,404	—
Accton Technology Corporation USA	62,614	188,840	19,667	169,173	130,773	6,624	1,818	—
SMC Networks, Inc.	1,376	183,849	33,813	150,036	175,420	(3,917)	(1,391)	—
Accton Century Holding (BVI) Co. Ltd.	1,664,416	4,433,343	0	4,433,343	0	(50)	204,880	—
Accton Asia Investments Corporation (BVI)	1,347,482	4,335,799	2,026	4,333,773	0	(287)	229,073	—
Joy Technology (Shenzhen) Corporation	1,386,336	8,091,500	3,791,753	4,299,747	20,597,516	397,679	228,339	—
Accton Technology (China) Co., Ltd.	220,127	93,236	0	93,236	0	0	(8,061)	—
Accton Technology Co., Ltd.	216,714	666,807	580,113	86,694	1,539,820	(6,353)	(8,611)	—
MuXi Technology (Nanjing) Co., Ltd.	4,365	96,492	91,231	5,261	13,694	939	894	—
Accton Investment Corporation (BVI)	30,405	178,482	0	178,482	0	(90)	(37,273)	—
Nocsys Inc.	199,434	2,720	0	2,720	0	0	(141)	—
Accton Global, Inc.	285	4,520,758	4,464,334	56,424	15,185,583	12,510	18,930	—
Edgecore Networks Corporation	500,000	1,612,439	475,421	1,137,018	3,381,941	177,011	160,695	—
Horwood limited	65,024	7,991	0	7,991	0	(121)	(546)	—
Edgecore Networks Singapore Pte Ltd.	76,687	25,930	1,691	24,239	38,473	959	2,244	—
Edgecore Cayman Corporation	30,285	11,758	0	11,758	0	(145)	46,816	—
Edgecore Americas Networking Corporation	285	540,581	573,625	(33,044)	1,633,384	59,422	49,044	—
ATAN NetworKs Co., Ltd.	69,349	17,398	31,942	(14,544)	28,520	(18,205)	(17,948)	—
Metalligence Technology Corp.	46,407	7,832	4,311	3,521	4,975	(8,817)	(8,803)	—
4IPNET, INC.	80,000	12	9	3	7,538	2,756	14,335	—
E-Direct Corp.	38,519	122,233	44,237	77,996	75,726	24,828	20,460	—

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 2020 audited 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:	28.4800	29.5490
SD Exchange Rate:	21.5600	21.4300
RMB Exchange Rate:	4.3648	4.2827



II. Private Placement of Securities during the Most Recent Fiscal Year and during the Current Fiscal Year up to the Date of Publication 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-up capital	Source of Funds	The Company's 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%	2001/01/04 to 2001/12/28	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.

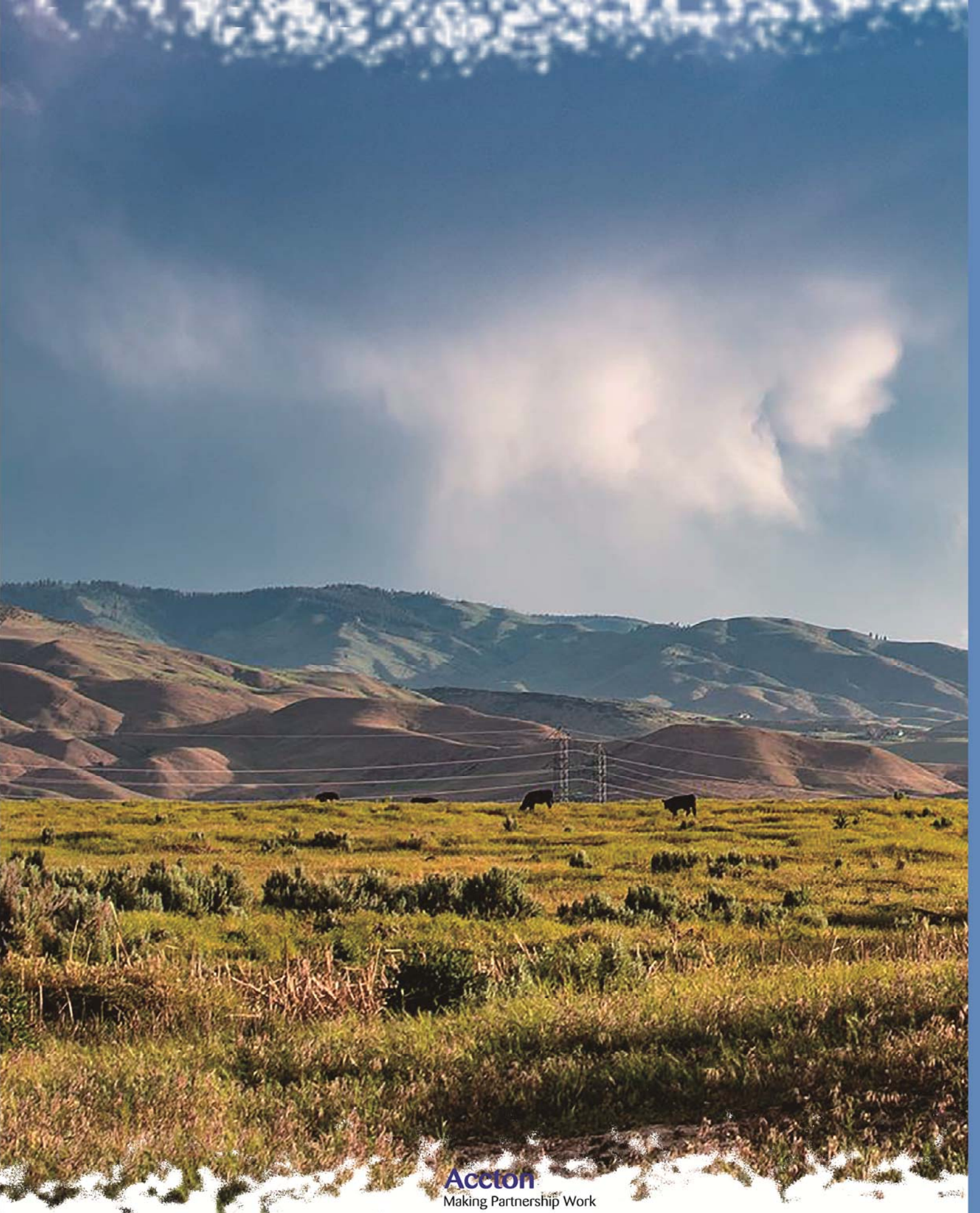
V. Any event occurred in the most recent year as of the publication date of the report which has material impact on shareholders' rights and interests or the price of securities against Item 2 of Paragraph 2 under Article 36 of the Securities and Exchange Act: None.

Accton Technology Corporation



Chairman: Kuo, Fai-Long

*Fai-Long Kuo*



**Accton**

Making Partnership Work



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