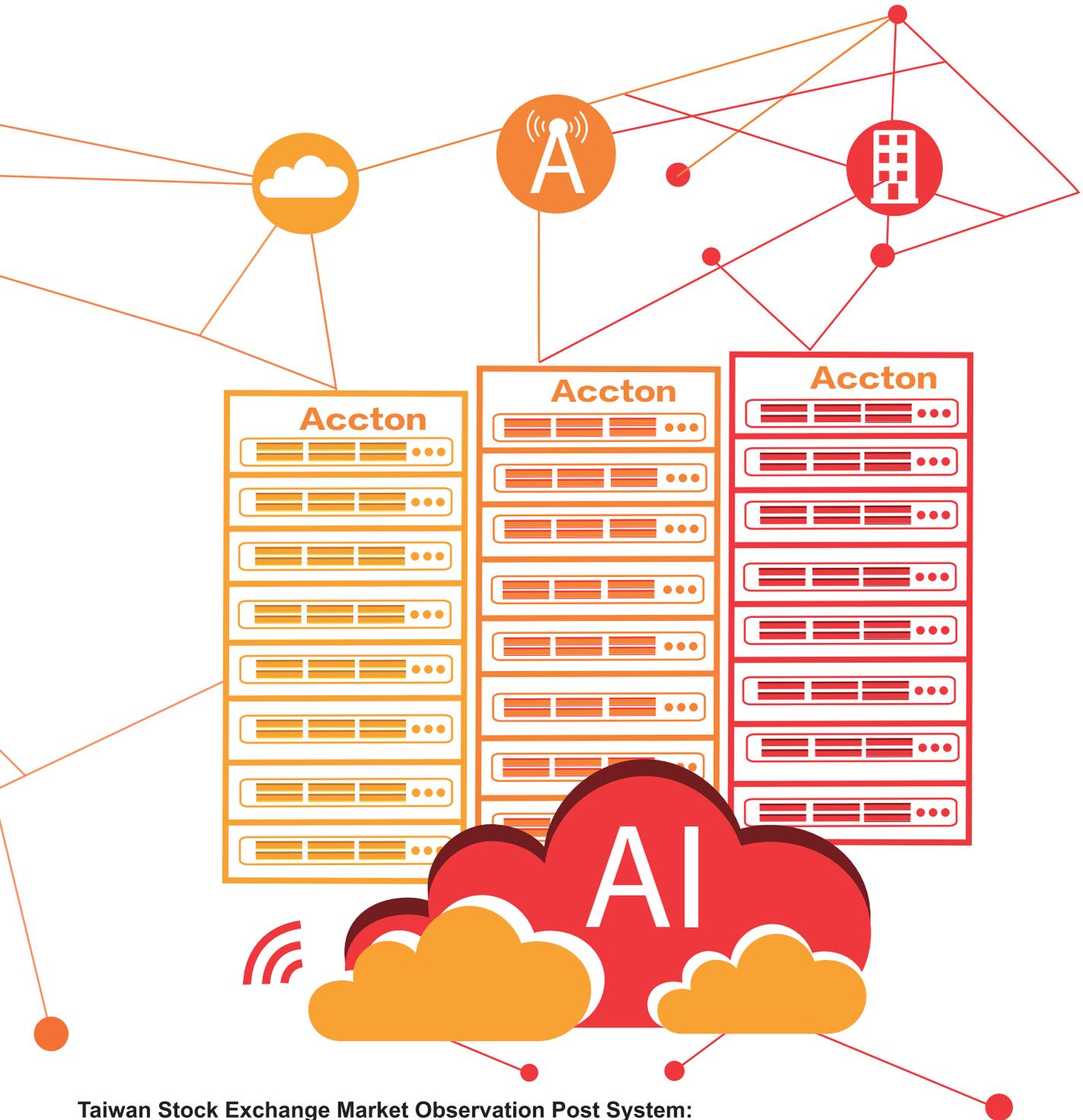


2021 Annual Report

Accton Technology Corporation



Taiwan Stock Exchange Market Observation Post System:

<http://newmops.twse.com.tw>

Company Annual Report is available at:

<http://www.accton.com>

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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 2021 and business plans for 2022.

I. 2021 Business Results

(1) Implementation and Results of the 2021 Business Plan

In 2021, the Company's consolidated revenue was NT\$59.599 billion, an increase of about 9.4% compared with the previous year, and the consolidated net profit after tax was NT\$4.705 billion, a decrease of about 6.8% over the previous year. In terms of revenue distribution in various product lines, the network switch accounted for 63% of the total revenue, the network application equipment accounted for 19% of revenue, the network access equipment accounted for 12% 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 2021, revenue and profit were above the Company's internal objectives.

(3) Analysis of Financial Income and Expenditure and Profitability

The consolidated revenue for the entire year 2021 was NT\$59.599 billion, an increase of about 9.4% compared with the previous year; the consolidated gross profit margin of the entire year was 19%; the consolidated net profit after tax was NT\$4.705 billion, equivalent to the consolidated net profit after tax per share of NT\$8.44.

(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 2021 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

Looking back on 2021, the world was still unsettled. The wars in Afghanistan and Ethiopia have left many families broken and displaced. As citizens of the world, we feel the same way and sincerely pray and bless for those who are suffering. The global situation is undergoing rapid changes, and geopolitical conflicts and struggles have further increased the risk of uncertainties. The shortage of components lasting for a year has made the countries and industries in the key hub of component supply become the focus under the spotlight. This includes Taiwan's semiconductor industry and ICT industry, as well as Taiwan's capability to control the epidemic based on the zero-COVID policy.

In terms of epidemic control in Taiwan in 2021, although the number of confirmed cases once increased rapidly, Taiwan was able to control the epidemic effectively within a short period of time and returned to zero confirmed cases. This was attributable to the joint effort of all Taiwanese people and it was also a remarkable achievement of Taiwan's epidemic prevention.

During this period, Accton continued to provide uninterrupted high-quality services to our customers, partners, shareholders, and the whole society and to fulfill our long-term commitment to ongoing innovation. As we can see, 5G deployment is advancing rapidly around the world, and data centers have not stopped either, and continue to expand their deployment. There were further upgrades and breakthroughs in new technologies that could drive a new wave of growth, such as enhanced Ethernet transmission speed, etc. We place more emphasis on the demand from end customers, including faster network transmission speed, more entertaining and practical applications, and so on.

Looking forward, Accton is set to embrace the innovative technologies that will lead open-architecture network infrastructure, and Accton R&D team is ready to grasp the new opportunities arising from emerging technologies such as artificial intelligence and automation. In fact, the word "metaverse", which is rapidly gaining popularity around the world in 2021, and the aspiration for its future technology applications, resonate with Accton team's long-standing enthusiasm for ongoing innovation.

Accton is very grateful for the help and contribution of customers and technology partners, and at the same time appreciates the shareholders' long-term support. We sincerely thank the management team of Accton and all employees for their hard work and dedication.

We wish all of you good health, increasing fortune and wisdom, peace and happiness.

Chairman: Kuan Xin Investment Corp.

Representative : Lin, Meen-Ron

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 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, and improve artistic atmosphere in the enterprise, Accton Technology Corporation invited Perfect Match to perform the music drama, The Edge of Heaven, to refresh every participant by a wonderful journey of arts. The promotion of domestic arts and cultural activities also fulfilled the corporate social responsibility.
 - In December, disposed of buildings of the Second Factory to Realtek.
- 2014
- Accton Technology Corporation announced the financial data of 2013: annual net profit after tax was NT\$559 Million, and EPS reached NT\$1.06.
 - In March, passed the scheme for making NT\$ 160 Million of increase in the capital of Metalligence Technology Corp., in order to continuously support the development of the system and cloud platform of intelligent life integration solutions.
 - In April, the Board of Directors approved the resignation of Mr. Huang, An-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.

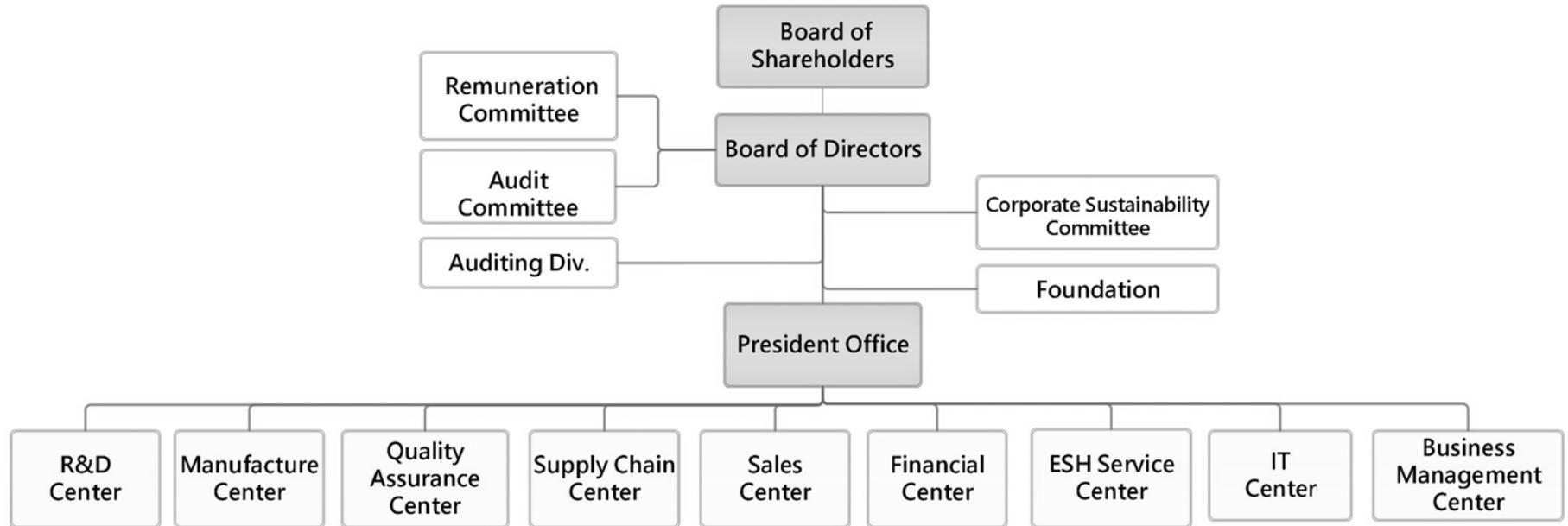
- In March, the Board of Directors approved that Mr. Lin, Hsin-Hsuan, took over the position of Spokesman, and Mr. Chen, Wen-Shan took over the position of Deputy Spokesman.
- In June, cash dividend was decided to be distributed at NT\$1.07515 per share during the Shareholders' Meeting.
- In June, the 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\$6.1903 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.
 - In June, the appointment of Mr. Lin Hsing-Hsuan, as the Corporate Governance Officer was resolved at the Board Meeting of Accton.
 - In June, Ms. Lin, Meen-Ron resigned as the Chief Financial Officer.
 - In July, cash dividend was decided to be distributed at NT\$6.4956 per share during the Shareholders' Meeting.
 - In August, Accton's Board of Directors approved the appointment of Ms. Chen, Fang-I as the Accounting Manager.
 - Accton called on 27 supplier partners to participate in protecting leopard cats and their habitat, and won Special Award and Purchasing Award of Buying Power Environmental Sustainability from the Ministry of Economic Affairs.
- 2022
- Accton Technology Corporation published its 2021 financial data, the annual consolidated net profit after tax was NT\$4.750 billion and EPS reached NT\$8.44.

III. Management Report

I. Organizational Structure

(1) Organizational Structure Chart



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

(1) Directors

1. Information on the Board of Directors.

Job Title	Nationality or Registration Place	Name	Gender Age	Election (Assumption) Date	Tenure	Initial Election Date	Number of Shares Held at the Time of Election		Current Number of Shares Held		Current Number of Shares Held by Spouse or Under Age 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	Number of Shares	Share-Holding Ratio			Job Title	Name	Relationship	
Chairman of the Board	R.O.C.	Kuan Xin Investment Corp.	Female 51~60	2021.07.08	Three years	2014.06.13	7,070,000	1.26	7,070,000	1.26	0	0.00	—	—	—	—	—	—	—	—
		Legal Representative: Lin, Meen-Ron		2021.07.08	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 ATAN Networks Co., Ltd. Director of Accton Technology Corporation, E-Direct Corp.	—	—	—	—
Director	R.O.C.	Ting Sing Co., Ltd.	Male 61~70	2021.07.08	Three years	2009.05.22	2,351,562	0.42	2,351,562	0.42	0	0.00	—	—	—	—	—	—	—	—
		Representativ : Du, Heng-Yi		2021.07.08	Three years	2009.05.22	1,119,115	0.20	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	—	—	—	—
Director	R.O.C	Huang, Kuo-Hsiu	Male 61~70	2021.07.08	Three years	2014.06.13	493,379	0.09	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	—	—	—	—
Independent Director	R.O.C	Huang, Shu-Chieh	Male 61~70	2021.07.08	Three years	2021.07.08	0	0.00	0	0.00	0	0.00	—	—	Undergraduate of Commerce, National Taiwan University EMBA, College of Management, National Chiao Tung University CEO at Deloitte & Touche	Independent Director of Accton Technology Corporation	—	—	—	—
Independent Director	R.O.C	Lee, Fa-Yauh	Male 61~70	2021.07.08	Three years	2021.07.08	0	0.00	0	0.00	0	0.00	—	—	Kaohsiung Medical University, School of Medicine. Deputy Director of the Taipei Veterans General Hospital.	Editor-in-Chief of the Journal of the Chinese Medical Association, Independent Director of Accton Technology Corporation	—	—	—	—

Job Title	Nationality or Registration Place	Name	Gender Age	Election (Assumption) Date	Tenure	Initial Election Date	Number of Shares Held at the Time of Election		Current Number of Shares Held		Current Number of Shares Held by Spouse or Under Age 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	Number of Shares	Share-Holding Ratio			Job Title	Name	Relationship	
Independent Director	R.O.C	Kuo, Ming-Jian	Male 61-70	2021.07.08	Three years	2021.07.08	0	0.00	0	0.00	0	0.00	—	—	Master of Business, the City University of New York - Baruch College Vice president of the Citibank Taiwan. Managing Director/Senior Vice President of JPMorgan Chase Bank Director of H&Q Asia Pacific Ltd. Vice Chairman of Blackstone Group (HK) Ltd. Director of Zoyi Capital Ltd.	Chairman of Cathay United Bank Co., Ltd.; Independent Director of Huali Industrial Group Co., Ltd.; Independent Director of Accton Technology Corp.; Director of Cathay Financial Holdings Co., Ltd., Longchen Paper Co., Ltd., Cathay Securities Investment Trust Co., Ltd., Cathay Private Equity Co. Ltd., and Far East Horizon Ltd.	—	—	—	—
Independent Director	JPN	Eizo Kobayashi	Male 71-80	2021.07.08	Three years	2021.07.08	0	0.00	0	0.00	0	0.00	—	—	Bachelor of Solid State Physics, Osaka University ITOCHU Corporation Chairman	Independent Director of OMRON Corporation, JAPAN AIRLINES, JAPAN EXCHANGE GROUP, INC. Independent Director of Accton Technology Corporation	—	—	—	—
Independent Director	U.S.A	Ankur Singla	Male 41-50	2021.07.08	Three years	2021.07.08	0	0.00	0	0.00	0	0.00	—	—	M.S. in Electrical Engineering, Stanford University, USA Founder & CEO of Volterra SVP/GM, Contrail & Appformix Juniper Networks Board of Directors of Right Relevance, Inc Founder & CEO of Contrail Systems	Sr VP of F5 Networks, Inc. Independent Director of Accton Technology Corporation	—	—	—	—
Independent Director	ISR	Avigdor Willenz	Male 61-70	2021.07.08	Three years	2021.07.08	0	0.00	0	0.00	0	0.00	—	—	Bachelor of Electrical Engineering, Technion-Israel Institute of Technology Founder of Galileo Technologies Founder and CEO of Annapurna Labs Founder and Chairman of Habana Labs Founder and Chairman of Lightbits Labs	Director of DustPhotronics, Quantum Machines, Proteantecs Ltd, Empow Cyber Security Ltd. Chairman of Xsight Labs Independent Director of Accton Technology Corporation	—	—	—	—

Note 1: Ms. Lin, Meen-Ron, the legal representative of Kuan Xin Investment Corp., Mr. Du, Heng-Yi, the representative of Ting Sing Co., Ltd., and Mr. Huang, Kuo-Hsiu were elected as directors on July 8, 2021

Note 2: Mr. Huang, Shu-Chieh, Mr. Lee, Fa-Yauh, Mr. Kuo, Ming-Jian, Mr. Eizo Kobayashi, Mr. Ankur Singla and Mr. Avigdor Willenz were elected as independent directors on July 8, 2021.

Note 3: Mr. Kuo, Fai-Long, the representative of Kuan Xin Investment Corp., resigned from the position of the Company's director upon expiration of tenure on July 8, 2021.

Note 4: Mr. Chang, Chih-Ping, Mr. Chen, Shu, Ms. Lin, Shiou-Ling, and Mr. Chen, Wei-Zen resigned from the position of the Company's independent director upon expiration of tenure on July 8, 2021.

Note 5: Ms. Lin, Meen-Ron, the legal representative of Director, has 219,000 shares under trust with discretion reserved.

Note 6: Mr. Kuo, Ming-Jian resigned from the position of independent director on December 9, 2021.

(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.
Auditing Div.	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.
Financial Center	Formulation of financial system; control of financial status and plans; formulation of capital operation plans; supervision and management.
Business Management Center	Formulation of HR administration system and company's organizational structure; definitions of powers and responsibilities of organizational structure and business scope; provision of legal and consulting services.
IT Center	Development of information network structure; planning and establishment of information systems; integration, maintenance and management of information.
ESH Service Center	Responsible for planning, implementation, promotion, and supervision of environmental protection, safety and health operations and risk assessment management.
R&D 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 Assurance Center	Promoting, implementing and reviewing company's quality policies, managing and assessing suppliers and outsourcers, and dealing with customers' complaint about quality.

Table 1: Major Shareholders of the Corporate Shareholders

April 18, 2022

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%

Table 2: Major Institutional Shareholders of National Development Funds

April 18, 2022

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. Disclosure of Directors' qualifications and independence of the Independent Directors

Name	Professional qualification and experience	Independence	Number of Other Public Companies where the Individual Concurrently Serves as a Independent Director
Chairman of Kuan Xin Investment Corp. Legal Representative : Lin, Meen-Ron	Having over 5-year work experience in the areas of commerce, law, finance, accounting, or other work experience required for the business and not been a person of any conditions defined in Article 30 of the Company Act.	—	0
Director Huang, Kuo-Hsiu	Having over 5-year work experience in the areas of commerce, law, finance, accounting, or other work experience required for the business and not been a person of any conditions defined in Article 30 of the Company Act.	—	0
Director Ting Sing Co., Ltd. Representative : Du, Heng-Yi	Having over 5-year work experience in the areas of commerce, law, finance, accounting, or other work experience required for the business; Currently been the Chairman of Ting Sing Co., Ltd. without any breach of conditions defined in Article 30 of the Company Act.	—	0

Independent Director Huang, Shu-Chieh	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and has been awarded a certificate in a profession necessary for the business with 5-year experience; Former President of Deloitte & Touche Taiwan without any breach of conditions defined in Article 30 of the Company Act.	(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.)	0
Independent Director Lee, Fa-Yauh	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and has been awarded a certificate in a profession necessary for the business with 5-year experience; Former Acting Superintendent of Taipei Veterans General Hospital without any breach of conditions defined in Article 30 of the Company Act.	(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 1% or more of the total number of outstanding shares of the Company or ranks as one of its top ten shareholders.	0
Independent Director Kuo, Ming-Jian	Having over 5-year work experience in the areas of commerce, law, finance, accounting, or other work experience required for the business; Currently been the Chairman of Cathay United Bank Co., Ltd. without any breach of conditions defined in Article 30 of the Company Act.	(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the officer in the preceding paragraph (1), or of any of the persons in the preceding paragraphs (2) and (3). (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% 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 of the Company Act as director/supervisor.	1
Independent Director Eizo Kobayashi	Having over 5-year work experience in the areas of commerce, law, finance, accounting, or other work experience required for the business; Former Chairman of ITOCHU Corporation without any breach of conditions defined in Article 30 of the Company Act.	(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.	0
Independent Director Ankur Singla	Having over 5-year work experience in the areas of commerce, law, finance, accounting, or other work experience required for the business. Currently been Sr VP of F5 Networks, Inc of Sr VP without any breach of conditions defined in Article 30 of the Company Act.	(7) Not a director, supervisor, or employee of other company whose chairman or general manager are the same person or spouse of the company.	0
Independent Director Avigdor Willenz	Having over 5-year work experience in the areas of commerce, law, finance, accounting, or other work experience required for the business. Currently been the Chairman of Xsight Labs Chairman without any breach of conditions defined in Article 30 of the Company Act.	(8) Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company. (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, law, finance, accounting services or consultation amounted to less than a cumulative NT\$500,000 to the company or to any affiliate of the company, or a spouse thereof. (10) Not a spouse or a relative within the second degree of kinship to any other director of the company. (11) Not a governmental or juridical person or a representative as defined in Article 27 of the Company Act.	0

Note 1: Mr. Kuo, Ming-Jian resigned from the position of Independent Director on December 9, 2021.

Note 2: In accordance with Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings as well as Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, the Company has obtained the independent statement from the independent directors, which is in compliance with laws and regulations.

3. The Diversity and Independence of the Board :

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. Based on the Board Diversity 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 requirements. The Board of Directors of the Company consists of 8 directors, including 5 independent directors. The percentage of directors who concurrently serve as the employees of the Company is 25% and the percentage of independent director and female director is 63% and 13%, respectively. All independent directors have less than three years of service and their qualifications are in accordance with the regulations for independent directors. All independent directors are professionals with diverse backgrounds, ample professional knowledge, experience and insight, as well as high ethical standards. The Company attaches great importance to the independence of Directors. In addition to increasing the number of Independent Directors, it also judges and evaluates the independence of Independent Directors in accordance with relevant regulations. Therefore, all Directors of Accton are equipped with extensive experience in the industry, high academic prestige, with outstanding performance in other professional fields.

The Board of Directors as a whole should possess the following competences:

- | | |
|------------------------------|---------------------------------------|
| (1) Operational judgment | (2) Accounting and financial analysis |
| (3) Operation and management | (4) Crisis management |
| (5) Industrial knowledge | (6) International market view |
| (7) Leadership | (8) Decision-making |

The Implementation of the Board Diversity Policy is as follows:

Name	Job Title	Gender	Age				Independent director Service Term			A Concurrent Employee of the Company	Diversified Core Competences								
			Age 41~50	Age 51 to 60	Age 61 to 70	Age 71 to 80	Less than 3 years	3 to 9 years	More than 9 years		Operational Judgment	Accounting and Finance	Operation Management	Management Crisis	Knowledge	Industrial	Market View	International	Leadership
Kuan Xin Investment Corp. Legal Representative : Lin, Meen-Ron	Chairman of the Board	Female		√						√	√	√	√		√			√	√
Ting Sing Co., Ltd. Representative : Du, Heng-Yi	Director	Male			√						√		√		√			√	
Huang, Kuo-Hsiu	Director	Male			√					√	√		√		√				
Huang, Shu-Chieh	Independent director	Male			√		√				√	√		√					√
Lee, Fa-Yauh	Independent director	Male			√		√							√				√	√
Eizo Kobayashi	Independent director	Male				√	√				√	√	√				√	√	
Ankur Singla	Independent director	Male	√				√				√	√			√	√			√
Avigdor Willenz	Independent director	Male			√		√				√	√			√	√			√

4. Specific management objectives and achievement of the Board's Diversity Policy

Management Objectives	Achievement
Directors concurrently serving as company officers shall not exceed one-third of the total number of the board members	Achieved
There should be at least one female board member	Achieved
Independent directors shall serve no more than three consecutive terms	Achieved
Not a spouse or a relative within two degrees of consanguinity to any director.	Achieved

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

April 18, 2022

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	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	—	—	—	—
Senior Vice President	R.O.C.	Yu, Ji-Hsiang	Male	2013.07.01	99,794	0.02	1,791	0.00	—	—	EMBA, College of Management, National Yang Ming Chiao Tung University	Director of Accton Technology Co., Ltd.	—	—	—	—
Senior Vice President	R.O.C.	Li, Hsun-Te	Male	2020.08.12	0	0	0	0.00	—	—	Bachelor of Business Management, Chung Hua University	Director of SMC Networks, Inc.	—	—	—	—
Senior Vice President	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 1)	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 ATAN Networks Co., Ltd.; Director of Accton Technology Corp. and E-Direct Corp.	—	—	—	—
Vice President	M.Y.	Liew, Hin-Soon	Male	2011.07.08	133,331	0.02	0	0.00	—	—	Electronic Engineering, National Taiwan University	—	—	—	—	—
Senior Vice President of Research and Development	R.O.C.	Lee, Kuan-Ze	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	—	—	—	—	—
Accounting Manager (Note 2)	R.O.C.	Chen, Fang-I	Female	2021.08.12	0	0.00	0	0.00	—	—	B.S. in Finance and Taxation, National Chengchi University	Supervisor of Edgecore Networks Corp. and E-Direct Corp	—	—	—	—
Corporate Governance Manager (Note3)	R.O.C.	Lin, Hsing-Hsuan	Male	2021.06.10	37	0.00	0	0.00	—	—	M.S. in Technology Law, National Yang Ming Chiao Tung University Chief Legal Officer and Spokesman of Accton Technology Corp.	—	—	—	—	—

Note 1: On June 18, 2021, Ms. Lin, Meen-Ron resigned as Chief Financial Officer with 219,000 shares under trust with discretion reserved.

Note 2: On August 12, 2021, Ms. Chen, Fang-I assumed the position of Accounting Manager.

Note 3: On June 10, 2021, Mr. Lin, Hsing-Hsuan assumed the position of Corporate Governance Manager.

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	Cash Amount	Stock Amount	Cash Amount	Stock Amount	Accton	All Companies Listed in Financial Statements							
General Director	Chairman of the Board																											
	Director																											
	Director																											
	Chairman																											
Independent Director	Independent Director																											
	Independent Director																											
	Independent Director																											
	Independent Director									40,880	40,880														64,569	64,569		
	Independent Director	—	—	—	—	40,000	40,000	880	880	0.87%	0.87%	11,363	11,363	226	226	12,100	—	12,100	—	1.37%	1.37%							
	Independent Director																											
	Independent Director																											
	Independent Director																											
	Independent Director																											
	Independent Director																											

Note 1: Ms. Lin, Meen-Ron, the legal representative of Kuan Xin Investment Corp., Mr. Du, Heng-Yi, the representative of Ting Sing Co., Ltd., and Mr. Huang, Kuo-Hsiu were elected as directors on July 8, 2021.

Note 2: Mr. Huang, Shu-Chieh, Mr. Lee, Fa-Yauh, Mr. Kuo, Ming-Jian, Mr. Eizo Kobayashi, Mr. Ankur Singla and Mr. Avigdor Willenz were elected as independent directors on July 8, 2021.

Note 3: Mr. Kuo, Fai-Long, the representative of Kuan Xin Investment Corp., resigned from the position of the Company's director upon expiration of tenure on July 8, 2021.

Note 4: Mr. Chang, Chih-Ping, Mr. Chen, Shu, Ms. Lin, Shiou-Ling, and Mr. Chen, Wei-Zen resigned from the position of the Company's independent director upon expiration of tenure on July 8, 2021.

Note 5: Mr. Kuo, Ming-Jian resigned from the position of independent director on December 9, 2021.

Note 6: In terms of the remuneration policy, system, standards and structure of Independent Directors' remuneration, please state the relationship between the amount of remuneration and their responsibilities, risks, time invested, and other factors:

The Company's independent directors are paid in fixed remuneration with transportation allowance. The remuneration of the independent directors is based on the overall performance of the Company's operation, taking into account their participation and contribution value to the Company's operation as well as the standard of peers in the same industry. The remuneration proposal is reviewed by the Remuneration Committee and is then submitted to the Board of Directors for resolution.

Note 7: Other than those disclosed in the table above, remuneration received by directors by providing services (e.g. providing consulting services to the parent company/all companies in the financial report/investee companies as a non-employee) to all companies in the financial report in 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 and General Manager	Edgar Masri	13,953	32,840	436	436	6,952	7,260	17,800	—	21,816	—	39,141 0.83%	62,352 1.33%	None
Senior Vice President of R&D	Yu, Ji-Hsiang													
Senior Vice President	Li, Hsun-Te													
Senior Vice President	Chiang, Ying-Hui													
CFO (Note 1)	Lin, Meen-Ron													
Senior Vice President	Liew, Hin-Soon													
Senior Vice President of Research and Development	Lee, Kuan-Ze													

Note 1: On June 18, 2021, Ms. Lin, Meen-Ron resigned as Chief Financial Officer with 219,000 shares under trust with discretion reserved.

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)	General Director: Huang, Kuo-Hsiu, Representative of Kuan Xin Investment Corp.: Kuo, Fai-Long, Independent directors: Huang, Shu-Chieh, Lee, Fa-Yauh, Kuo, Ming-Jian, Lin, Shiou-Ling, Chang, Chih-Ping, Chen, Shu, Chen, Wei-Zen, Eizo Kobayashi, Ankur Singla, Avigdor Willenz	General Director: Huang, Kuo-Hsiu, Representative of Kuan Xin Investment Corp.: Kuo, Fai-Long, Independent directors: Huang, Shu-Chieh, Lee, Fa-Yauh, Kuo, Ming-Jian, Lin, Shiou-Ling, Chang, Chih-Ping, Chen, Shu, Chen, Wei-Zen, Eizo Kobayashi, Ankur Singla, Avigdor Willenz	Independent Directors: Huang, Shu-Chieh, Lee, Fa-Yauh, Kuo, Ming-Jian, Lin, Shiou-Ling, Chang, Chih-Ping, Chen, Shu, Chen, Wei-Zen, Eizo Kobayashi, Ankur Singla, Avigdor Willenz	Independent Directors: Huang, Shu-Chieh, Lee, Fa-Yauh, Kuo, Ming-Jian, Lin, Shiou-Ling, Chang, Chih-Ping, Chen, Shu, Chen, Wei-Zen, Eizo Kobayashi, Ankur Singla, Avigdor Willenz
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	General Director: Legal representative of Kuan Xin Investment Corp.: Lin, Meen-Ron Representative of Ting Sing Co., Ltd.: Du, Heng-Yi	General Director: Legal representative of Kuan Xin Investment Corp.: Lin, Meen-Ron Representative of Ting Sing Co., Ltd.: Du, Heng-Yi	General Director: Representative of Ting Sing Co., Ltd.: Du, Heng-Yi	General Director: Representative of Ting Sing Co., Ltd.: Du, Heng-Yi
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,	General Director: Huang, Kuo-Hsiu Representative of Kuan Xin Investment Corp.: Kuo, Fai-Long,
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	—	—		
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	—	—	General Director: Legal Representative of Kuan Xin Investment Corp.: Lin, Meen-Ron	General Director: Legal 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	14 persons	14 persons	14 persons	14 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	Lee, Kuan-Ze	
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)		
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	Liew, Hin-Soon	Liew, Hin-Soon
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	Lin, Meen-Ron	Lin, Meen-Ron
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	Edgar Masri, Yu, Ji-Hsiang, Li, Hsun-Te, Chiang, Ying-Hui	Yu, Ji-Hsiang, Li, Hsun-Te, Chiang, Ying-Hui
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)		Lee, Kuan-Ze
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)		Edgar Masri
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)		
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)		
Over NT\$100,000,000		
Total	7 persons	7 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	Edgar Masri	-	25,816	25,816	0.55%
Senior Vice President of Research and Development	Yu, Ji-Hsiang				
Senior Vice President	Li, Hsun-Te				
Senior Vice President	Chiang, Ying-Hui				
CFO (Note 1)	Lin, Meen-Ron				
Vice President	Liew, Hin-Soon				
Senior Vice President of Research and Development	Lee, Kuan-Ze				
Accounting Manager (Note 2)	Chen, Fang-I				
Corporate Governance Manager (Note3)	Lin, Hsing-Hsuan				

Note 1: On June 18, 2021, Ms. Lin, Meen-Ron resigned as Chief Financial Officer.

Note 2: On August 12, 2021, Ms. Chen, Fang-I assumed the position of Accounting Manager.

Note 3: On June 10, 2021, Mr. Lin, Hsing-Hsuan assumed the position of Corporate Governance Manager.

(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 2021 to Net Income After Tax (%)		Ratio of Total Remuneration of 2020 to Net Income After Tax (%)	
	Accton	All Companies Listed in Financial Statements	Accton	All Companies Listed in Financial Statements
Director	1.37%	1.37%	1.81%	1.81%
President and Vice Presidents	0.83%	1.33%	1.40%	2.03%

Analysis of Changes in Percentage:
The remuneration ratio to net profit after tax of Board Directors, GM and Vice Presidents in Y2021 was less than Y2020. The main reason was that Y2020 remuneration of Executives including bonus reserved from previous year per the conservative consideration.

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. It will be reviewed by the company's remuneration committee per year subject to company's performance result and then submitted to the board of directors for resolution.

- 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: July 8, 2021 to July 7, 2024.
2. The Board of Directors held 9 meetings in 2021. 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	Kuan Xin Investment Corp. Legal Representative : Lin, Meen-Ron	9	0	100.00%	2021.07.08 newly-ppointed
Director	Ting Sing Co., Ltd. Representative: Du, Heng-Yi	9	0	100.00%	2021.07.08 re-elected
Director	Huang, Kuo-Hsiu	5	0	100.00%	2021.07.08 newly-ppointed
Independent director	Huang, Shu-Chieh	5	0	100.00%	2021.07.08 newly-ppointed
Independent director	Lee, Fa-Yauh	5	0	100.00%	2021.07.08 newly-ppointed
Independent director	Kuo, Ming-Jian	3	1	75.00%	2021.07.08 newly-ppointed 2021.12.09 resigned
Independent director	Eizo Kobayashi	3	1	60.00%	2021.07.08 newly-ppointed
Independent director	Ankur Singla	2	0	40.00%	2021.07.08 newly-ppointed
Independent director	Avigdor Willenz	4	0	80.00%	2021.07.08 newly-ppointed
Chairman	Kuan Xin Investment Corp. Representative : Kuo, Fai-Long	4	0	100.00%	2021.07.08 retired
Independent director	Chang, Chih-Ping	4	0	100.00%	2021.07.08 retired
Independent director	Chen, Shu	4	0	100.00%	2021.07.08 retired
Independent director	Lin, Shiou-Ling	4	0	100.00%	2021.07.08 retired
Independent director	Chen, Wei-Zen	4	0	100.00%	2021.07.08 retired

Attendance of independent directors at each meeting of the Board of Directors in 2021:

Independent director	2021								
	Jan. 28	Mar.18	May.13	Jun.10	Jul. 16	Aug.12	Oct. 27	Nov.11	Dec. 16
Huang, Shu-Chieh	-	-	-	-	Attended in person				
Lee, Fa-Yauh	-	-	-	-	Attended in person				
Kuo, Ming-Jian	-	-	-	-	Attended in person	Attended in person	Attended in person	Attended by Proxy	Resigned
Eizo Kobayashi	-	-	-	-	Attended in person	Absent	Attended in person	Attended in person	Attended by Proxy
Ankur Singla	-	-	-	-	Attended in person	Absent	Attended in person	Absent	Absent
Avigdor Willenz	-	-	-	-	Absent	Attended in person	Attended in person	Attended in person	Attended in person
Chang, Chih-Ping	Attended in person	Attended in person	Attended in person	Attended in person	-	-	-	-	-
Chen, Shuh	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	-	-	-	-	-
Chen, Wei-Zen	Attended in person	Attended in person	Attended in person	Attended in person	-	-	-	-	-

Note: The tenure of the 11th Board of Directors is from June 13, 2018 to June 12, 2021. The tenure of the 12th Board of Directors is from July 8, 2021 to July 7, 2024.

Other Required Disclosure

- 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 15th session of the 11th term on January 28, 2021	1. The proposal of the Chupei AI Industrial Park Investment Construction Project was submitted for approval.	V	None.	None.	Unanimously approved by all the independent directors present.
The 16th session of the 11th term on March 18, 2021	1. The proposal of change in CPA of the Company was submitted for approval.	V	None.	None.	Unanimously approved by all the independent directors present.
The 17th session of the 11th term on May 13, 2021	1. The proposal of construction budget for Smart Factory located in the industrial zone of the International AI Smart Park in Hsinchu County was submitted for approval. 2. The proposal of demolition of Hsinchu plant's back section and new addition construction with the change in use was submitted for approval. 3. Amendments to Financial Statement Preparation Process Management in internal control system and internal audit implementation rules were submitted for approval. 4. The proposal of providing endorsements/guarantees for Accton Global, Inc., a wholly-owned subsidiary of the Company, was submitted for approval. 5. The proposal of change in Chief Financial Officer was submitted for approval.	V	None.	None.	Unanimously approved by all the independent directors present.
The 2nd session of the 12th term on August 12, 2021	1. The proposal of change in Accounting Manager was submitted for approval.	V	None.	None.	Unanimously approved by all the independent directors present.
The 3rd session of the 12th term on October 27, 2021	1. The signing and investment plan report for the industrial zone phase II project of Hsinchu International AI Smart Park was submitted for approval.	V	None.	None.	Unanimously approved by all the independent directors present.
The 4th session of the 12th term on November 11, 2021	1. The proposal of providing endorsements/guarantees for Joy Technology (Shenzhen) Corporation, a wholly-owned subsidiary of the Company, was submitted for approval.	V	None.	None.	Unanimously approved by all the independent directors present.

- 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 2021.

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	2021.01.01 ~ 2021.12.31	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"> 1. Degree of participation in the Company's operations. 2. The Board's decision making quality. 3. Composition and structure of the Board. 4. Election and continuing education of the directors. 5. Internal control. <p>The measurement items for the performance evaluation of the Board Members include the following six aspects:</p> <ol style="list-style-type: none"> 1. Execution of the Company's goals and tasks. 2. Understanding of the director's roles and responsibilities. 3. Degree of participation in the Company's operations. 4. Management and communication of the internal relations. 5. Expertise and continuing education of the directors. 6. Internal control.
Once a year	2021.01.01 ~ 2021.12.31	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"> 1. Participation of the Company's operation. 2. Understanding of the Remuneration Committee's roles and responsibilities. 3. Improvement in the Remuneration Committee's decision-making quality. 4. Composition and member selection of the Remuneration Committee. 5. Internal control.

- 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 the Company adopted "Performance Evaluation Method for the Board of Directors and Functional Committees" on May 13 of 2020, completed the performance evaluation of the Board of Directors and the functional committees on March 17, 2022, and reported the performance evaluation results respectively to the audit committee, remuneration committee and the Board of Directors. The overall average score for the performance self-assessment of the Board of Directors was 94.1, and the average score for the individual Board members' performance self-assessment was 92.8, indicating that in general, the Board of Directors is functioning well.

The overall average score of the audit committee's self-assessment was 91.4 while the overall average score of the remuneration committee's performance self-assessment was 93.1, indicating that both committees are functioning properly as well. Overall speaking, the Board of Directors has been operating in an appropriate manner, which effectively enhances the functions of the Board.

(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 July 8, 2021 to July 7, 2024.
3. The Audit Committee established in 2021 held meetings for 9 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	Huang, Shu-Chieh	5	0	100.00%	July 8, 2021 newly-appointed
Member of Committee	Lee, Fa-Yauh	5	0	100.00%	July 8, 2021 newly-appointed
Member of Committee	Kuo, Ming-Jian	3	1	75.00%	July 8, 2021 newly-appointed; December 9, 2021 resigned
Member of Committee	Eizo Kobayashi	3	1	60.00%	July 8, 2021 newly-appointed
Member of Committee	Ankur Singla	2	0	40.00%	July 8, 2021 newly-appointed
Member of Committee	Avigdor Willenz	3	0	60.00%	July 8, 2021 newly-appointed
Convener	Lin, Shiou-Ling	4	0	100.00%	July 8, 2021 retired
Member of Committee	Chang, Chih-Ping	4	0	100.00%	July 8, 2021 retired
Member of Committee	Chen, Shuh	4	0	100.00%	July 8, 2021 retired
Member of Committee	Chen, Wei-Zen	4	0	100.00%	July 8, 2021 retired

Other Required Disclosure

1. If Audit Committee has any of the following circumstances, the date and session number of the meeting of Audit Committee, proposal contents, independent directors' dissenting opinions, reservation, or major recommendations, 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 14th session of the 1st term 2021.01.28	1. Passed Chupei AI Industrial Park Investment Construction Project.	V	None.	Unanimously approved by all the independent directors present.
The 15th session of the 1st term 2021.03.18	1. Approving the financial statements as of December 31, 2020. 2. Approving "internal control system effectiveness evaluation" and "internal control system statement" proposal of 2020. 3. Approving the proposal of change in CPA of the Company.	V	None.	Unanimously approved by all the independent directors present.
The 16th session of the 1st term 2021.05.13	1. Approving the financial statements as of March 31, 2021. 2. Approving the proposal of construction budget for the industrial zone phase I project at Hsinchu International AI Smart Park. 3. Approving the proposal of demolition of Hsinchu plant's back section and new addition construction with the change in use. 4. Approving the amendments to Financial Statement Preparation Process Management in internal control system and internal audit implementation rules. 5. Approving the proposal of providing endorsements/guarantees for Accton Global, Inc., a wholly-owned subsidiary of the Company. 6. Approving the proposal of change in Chief Financial Officer.	V	None.	Unanimously approved by all the independent directors present.
The 2nd session of the 2nd term 2021.08.12	1. Approving the financial statements as of June 30, 2021. 2. Approving the proposal of change in Accounting Manager.	V	None.	Unanimously approved by all the independent directors present.
The 3rd session of the 2nd term 2021.10.27	1. Approving the signing and investment plan report for the industrial zone phase II project of Hsinchu International AI Smart Park.	V	None.	Unanimously approved by all the independent directors present.
The 4th session of the 2nd term 2021.11.11	1. Approving the financial statements as of September 30, 2021. 2. Approving CPA service fee in 2021. 3. Approving the proposal of providing endorsements/guarantees for Joy Technology (Shenzhen) Corporation, a wholly-owned subsidiary of the Company.	V	None.	Unanimously approved by all the independent directors present.
The 6th session of the 2nd term 2022.03.17	1. Approving the financial statements as of December 31, 2021. 2. Approving "internal control system effectiveness evaluation" and "internal control system statement" proposal of 2021. 3. Approving the amendments to the "Procedures for Acquisition and Disposal of Assets". 4. Approving the issuance of new employee restricted shares 5. Approving the issuance of domestic 1st unsecured convertible corporate bonds, with a total face value up to NT\$4,000,000 thousand and a tenor of 3 years. 6. Approving the long-term lease proposal at Nanliao Logistics Park.	V	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 2021.

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
2021.01.28	<ul style="list-style-type: none"> Review on the implementation report of the internal audit. 	The audit committee reviewed or approved and the independent directors have no objection.
2021.03.18	(Individual meeting between the audit supervisor and independent directors) <ul style="list-style-type: none"> Internal audit operation status discussion Internal audit report of the 4th quarter of 2020 Discussion of "Statement about Internal Control System" of 2020. 	Execute according to the audit plan. The audit committee reviewed or approved and the independent directors have no objection.
2021.05.13	<ul style="list-style-type: none"> Internal audit report of the 1st quarter of 2021. 	The audit committee reviewed or approved and the independent directors have no objection.
2021.06.10	<ul style="list-style-type: none"> Review on the implementation report of the internal audit. 	The audit committee reviewed or approved and the independent directors have no objection.
2021.07.16	<ul style="list-style-type: none"> Review on the implementation report of the internal audit. 	The audit committee reviewed or approved and the independent directors have no objection.
2021.08.12	<ul style="list-style-type: none"> Internal audit report of the 2nd quarter of 2021. 	The audit committee reviewed or approved and the independent directors have no objection.
2021.10.27	<ul style="list-style-type: none"> Review on the implementation report of the internal audit. 	The audit committee reviewed or approved and the independent directors have no objection.
2021.11.09	(Individual meeting between the audit supervisor and independent directors) <ul style="list-style-type: none"> Internal audit operation status discussion 	Execute according to the audit plan and the independent directors have no objection.
2021.11.11	<ul style="list-style-type: none"> Internal audit report of the 3rd quarter of 2021. Discussion on the 2022 internal audit plan. 	The audit committee reviewed or approved and the independent directors have no objection.
2021.12.16	<ul style="list-style-type: none"> Review on the implementation report of the internal audit. 	The audit committee reviewed or approved and the independent directors have no objection.
2022.03.17	(Individual meeting between the audit supervisor and independent directors) <ul style="list-style-type: none"> Internal audit operation status discussion Internal audit report of the 4th quarter of 2021. Discussion of "Statement about Internal Control System" of 2021. 	Execute according to the audit plan. The audit committee reviewed or approved and the independent directors have no objection.

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
2021.03.18	(Individual meeting between CPA and independent directors) <ul style="list-style-type: none"> • Discussion on the audit of the financial statements of 2021, including any audit issues or difficulties, and the response of the management. 	Passed unanimously without special comments by all independent directors present.
2021.05.13	<ul style="list-style-type: none"> • Discussion on the audit of the financial statements for the 1st quarter of 2021, including any audit issues or difficulties, and the response of the management. • Report on regulatory changes. 	Passed unanimously without special comments by all independent directors present.
2021.08.12	<ul style="list-style-type: none"> • Discussion on the audit of the financial statements for the 2nd quarter of 2021, including any audit issues or difficulties, and the response of the management. 	Passed unanimously without special comments by all independent directors present.
2021.11.11	<ul style="list-style-type: none"> • Discussion on the audit of the financial statements for the 3rd quarter of 2021, including any audit issues or difficulties, and the response of the management. 	Passed unanimously without special comments by all independent directors present.
2022.03.17	(Individual meeting between CPA and independent directors) <ul style="list-style-type: none"> • Discussion on the audit of the financial statements of 2021, including any audit issues or difficulties, and the response of the management. 	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		Summary	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				
(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		The Company has established adequate risk control mechanism and firewalls in accordance with internal regulations such as operating procedure of endorsement and guarantee, operating procedure for lending to others, procedures for acquisition and disposal of assets, etc., when dealing with specific companies and group companies. Accton's related companies that have business relationship with Accton are treated as independent third parties and unconventional transactions are prohibited.	No discrepancy
(4) Does the Company formulate internal regulations to prohibit internal personnel from using the information undisclosed in market to buy and sell securities?	V		(1)Accton has formulated “Regulations on the Prevention of Insider Trading”, “Internal Operational Procedure for Handling Material Information” and “Employee Ethical Behavior Management Procedures”, which apply to all employees, managers, and members of the Board of Directors of the Company and to any other	No discrepancy

Items of Evaluation	Implementation			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons																																			
	Yes	No	Summary																																				
			<p>persons who have access to confidential information of the Company due to the nature of their job. Any behavior involving insider trading is prohibited and the Company conducts internal training on a regular basis to enhance employee’s awareness.</p> <p>(2)Each new employee is required to take mandatory ethics training. The training contains the topics of prohibition of insider trading, ethical corporate management and corporate social responsibility and the code of the Company is illustrated with case studies. 11 related trainings were arranged in 2021 with a completion rate of 100%. The trainings are listed as follows. In addition, the responsible unit announced the cases on the Company’s home page from time to time to remind all colleagues to comply with the norms.</p> <table border="1"> <thead> <tr> <th>Items</th> <th>Course type</th> <th>Advocating content</th> <th>Echelon</th> <th>Attendees</th> </tr> </thead> <tbody> <tr> <td>Group New Employee Power Camp</td> <td>Physical session</td> <td>Advocate core values and code of conduct</td> <td>94</td> <td>787</td> </tr> <tr> <td>Group New Employee Power Camp</td> <td>Physical session</td> <td>Corporate ethics and related codes of conduct</td> <td>4</td> <td>124</td> </tr> <tr> <td>Group New Employee Power Camp</td> <td>Physical session</td> <td>Inheritance and recognition of internal corporate culture</td> <td>4</td> <td>124</td> </tr> <tr> <td>Group New Employee Power Camp</td> <td>Online Training</td> <td>Explain the core values and appropriate behaviors at workplace, and lead new employees to get familiar with the environment of the Company and to understand relevant code of conduct in ethics and integrity.</td> <td>1</td> <td>140</td> </tr> <tr> <td>Group New Employee Training</td> <td>Physical session</td> <td>Advocate good faith management and related ethical code of conduct, without any legitimate trading and group interests maintenance, prohibit insider trading.</td> <td>90</td> <td>663</td> </tr> <tr> <td>Group personnel training</td> <td>Physical session</td> <td>Advocate group trade secret control regulations</td> <td>1</td> <td>2,093</td> </tr> </tbody> </table>	Items	Course type	Advocating content	Echelon	Attendees	Group New Employee Power Camp	Physical session	Advocate core values and code of conduct	94	787	Group New Employee Power Camp	Physical session	Corporate ethics and related codes of conduct	4	124	Group New Employee Power Camp	Physical session	Inheritance and recognition of internal corporate culture	4	124	Group New Employee Power Camp	Online Training	Explain the core values and appropriate behaviors at workplace, and lead new employees to get familiar with the environment of the Company and to understand relevant code of conduct in ethics and integrity.	1	140	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.	90	663	Group personnel training	Physical session	Advocate group trade secret control regulations	1	2,093	
Items	Course type	Advocating content	Echelon	Attendees																																			
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Items of Evaluation	Implementation						Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons	
	Yes	No	Summary					
			Group personnel training	Online Training	Advocate group trade secret control regulations	5	376	
			Group personnel training	Online Training	Promote awareness of the Group's business information security and related control items	2	302	
			Group senior manager training	Physical session	Promote the protection of business assets and intellectual property rights within the Group and the ethical supervision of senior managers	1	111	
			Group senior manager training	Physical session	The code of conduct in corporate integrity and business ethics	2	9	
			Global supply chain management personnel training	Physical session	To campaign for the Code of Conduct for Supply Chain Personnel	5	178	
<p>II. Composition and Responsibilities of the Board of Directors</p> <p>(I) Does the Board of Directors formulate and implement diversified policies and specific management objectives?</p>	V		<p>Article 20 of the “Code of Corporate Governance Practice” sets out the diversity policy for Board members.</p> <p>Directors are nominated through the rigorous selection process that takes into account diverse backgrounds, professional competence and experience, as well as integrity and ethical conduct. Currently, there are 8 seats on the Board of Directors, including 5 seats for independent directors, which has achieved the specific management objectives of independent directors accounting for more than half of Board members as well as the number of directors who also serve as managers of the Company not exceeding one-third of the total number of directors. In this regard, the Company is able to perform its business decision-making and supervisory functions. For the details of the implementation of diversity policy for the Board members, please refer to “The diversity and independence of the Board” on page 20 in the annual report.</p>				No discrepancy	

Items of Evaluation	Implementation			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
(2) Does the Company agree to set other functional committees in addition to Remuneration Commission and Audit Committee?	V		In order to improve the decision-making function and strengthen the management mechanism, the Company has established the audit committee and the remuneration committee in accordance with the law. In addition, the corporate sustainability committee and corporate governance and integrity management committee composed of the management team have been set up to carry out the functions of each committee.	No discrepancy
(3) Does the company establish standards and methods to evaluate the performance of the Board of Directors, conduct the evaluation annually and 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?	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 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 2021 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 2021 were reported to the board of directors on March 17, 2022, and were used as reference for individual directors' compensation and nomination for renewal. For the result of performance evaluation for the Board of Directors, please refer to “Performance Evaluation for the Board of Directors” on page 30 in the annual report.	No discrepancy
(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 17, 2022. 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		Summary	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		On June 10, 2021, the Board of Directors appointed Mr. Lin, Hsin-Hsuan as the Corporate Governance Manager responsible for setting up a corporate governance implementation unit to protect shareholders' interests and strengthen the functions of the Board of Directors. The Company's major initiatives and the status of implementation are summarized below:	No discrepancy	
V. Does the Company establish the channels for communication with interested parties (including but not limited to shareholders, employees, customers and suppliers), and set up special space for interested parties on the official website, and properly respond to the important corporate social responsibility issues concerned by interested parties?	V		Accton respects and protects the legitimate rights and interests of stakeholders. Accton's website (www.accton.com) has contact information for stakeholders (employees/competent authorities/investors/shareholders/ODM customers/suppliers/external complaints) and maintains a smooth communication channel to establish a smooth communication channel with investors. A corporate responsibility report is provided every year to enable stakeholders to understand Accton. Accton has established employee communication channels, which enables employees to give opinions by email or writing.	No discrepancy	
VI. Does the Company appoints professional stock affairs agency to deal with the affairs of the Board of Shareholders?	V		Accton appoints the professional stock affairs agency, Yuanta Securities Finance Co., Ltd., to be responsible for serving for shareholders and dealing with stock affairs.	No discrepancy	

Items of Evaluation	Implementation			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
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 (http://www.accton.com). In addition, Accton’s governance condition is explained to investors at the meetings of corporate description and Board of Shareholders.	No discrepancy
(2) Does the Company adopt other methods for disclosure of information (such as setting up English website, designating special person to be responsible for collection and disclosure of company information, implementing spokesperson system, and placing the procedures for corporate description meeting on the Company’s website etc.)?	V		(2) Accton has a company website (www.accton.com) that fully discloses financial, business and corporate governance related information for shareholders' reference. A dedicated person is responsible for data collection and update. Accton has established "Procedures for Handling Material Internal Information" to established an optimized internal material information handling and disclosure mechanism and implemented a spokesperson system. In addition to announcing monthly revenue, Accton also actively announces quarterly profit and loss, holds roadshows regularly, which are disclosed on Accton's website to enhance the transparency of corporate information.	No discrepancy
(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 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,	V		(1) Employee’s rights and employee care: Accton believes that “people” is the most important asset, thus it spares no effort to invest in the training of staff, encourages employees to participate in training courses, takes measures to provide welfare for staff and sets up labor safety and health department to prevent occupational disasters and offer related consulting, and provides health lectures and examination to ensure employees’ safety and health (2) Investor Relations In addition to setting up dedicated units to deal with shareholders’ matters, Accton discloses complete information on the Market Observation Post System and official	No discrepancy

Items of Evaluation	Implementation		Summary	Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
implementation of risk management policies and measurement standards, implementation of customer policies, liability insurance purchased by the Company for the Directors and Supervisors)?			<p>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> <p>(7) Implementation of Customer Policies Accton always adheres to the business idea of serving for customers, and maintains a stable and good relationship with customers to create the best interests for both parties.</p> <p>(8) Liability Insurance for the Company's Directors Accton has purchased liability insurance for all Directors, with an insured amount of US\$15 million and an insurance period from October 25, 2021 to October 25, 2022. The amount, coverage and insurance rate of the Directors' liability insurance were submitted to the Board of Directors for approval on November 11, 2021.</p> <p>(9) Manager training: managers' training is offered irregularly every year (please refer to the following table) and disclosed to the "Open Information Observation Station".</p> <p>(10) Succession Plan of Directors and Key Management: In addition to the professional background and professional skills, the Directors of Accton are experienced in company operation and planning. In order to enhance the professionalism of the Board of Directors and key management, Accton takes into account the profession of each Director and key management, and selects courses</p>	

Items of Evaluation	Implementation			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary	
			<p>related to the nature of Accton's industry, such as finance, business, commerce, legal affairs, risk management, corporate social responsibility, internal control system, and arranges at least 6 hours of training courses each year to ensure that the Board of Directors and key management maintain a certain level of industry knowledge and acquire new knowledge.</p> <p>Over the years, Accton has been conducting development programs for key management, with a hope to cultivate a new generation of leader team by restructuring, reorganizing and building. Accton arranges internal senior managers to attend and participate in Board meetings to familiarize Board operations and arranges job rotations and assignments to accumulate experience. Therefore, Accton intends to achieve maximum efficiency in inheritance and development through the combination of old and new faces, so as to create new life and new opportunities for Accton. 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. The Board of Directors of the Company approved the promotion of Mr. Lin, Hsing-Hsuan to the position of Corporate Governance Manager in June 2021 and the promotion of Ms. Chen, Fang-I to the position of Accounting Manager in August 2021.</p>	

IX. Please explain the improved conditions regarding the results of the corporate governance assessment issued by the corporate governance center of Taiwan Stock Exchange Corporation in recent years, and propose priorities and measures for improving the condition not improved yet.
The eighth corporate governance evaluation of the company in 2021 was listed in the range of 21%~35%.

The 8th 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 2021.
2.27	Does the company formulate an intellectual property management plan linked to its operational objectives, disclose the implementation status on the company's website or annual report, and report to the Board of Directors at least once a year?	It was disclosed in 2021.
3.14	Does the company's annual report disclose the link between the performance evaluation and remuneration of directors and managers?	It was disclosed in 2021.

Items of Evaluation	Implementation		Summary	Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No		
Improvements that are yet to be made and shall be prioritized in the 8th annual corporate governance standard				
No.	Indicator Item		Improvement Method	
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 2022 and on the company website and annual report.	
4.2	Does the company set up a exclusively (or concurrently) dedicated unit to promote corporate integrity and responsible for formulation, supervision and implementation of integrity management policy and related guidelines. Does the company disclose the operation of the unit and its implementation status on the company's website and in the annual report, and report to the Board of Directors at least once a year?		It will be further disclosed in 2022.	

X. The Company's Director Training Situation in 2021:

Job Title	Name	Date of Training	Organized by	Name of Course	Hours of Education
Chairman of the Board	Lin, Meen-Ron	2021.05.13	Taiwan Corporate Governance Association	Corporate mergers and acquisitions and the responsibility of directors and supervisors	3 hours
		2021.08.12	Taiwan Corporate Governance Association	The best tool for remote auditing in the post-epidemic era - big data auditing and risk intelligence dashboard	3 hours
		2021.11.11	Taiwan Corporate Governance Association	Innovation, digital technology and competitive advantage	3 hours
Chairman (Note 1)	Kuo, Fai-Long,	2021.05.13	Taiwan Corporate Governance Association	Corporate mergers and acquisitions and the responsibility of directors and supervisors	3 hours
		2021.08.12	Taiwan Corporate Governance Association	The best tool for remote auditing in the post-epidemic era - big data auditing and risk intelligence dashboard	3 hours
Director	Huang, Kuo-Hsiu	2021.08.12	Taiwan Corporate Governance Association	The best tool for remote auditing in the post-epidemic era - big data auditing and risk intelligence dashboard	3 hours
		2021.11.11	Taiwan Corporate Governance Association	Innovation, digital technology and competitive advantage	3 hours
Director	Du, Heng-Yi	2021.08.10	Taiwan Corporate Governance Association	Information security incident handling practices under the new normal in the post-epidemic era	3 hours
		2021.08.23	Independent Director Association Taiwan	The latest development and best practice of money laundering prevention and counter-terrorism financing	3 hours
Independent director	Huang, Shu-Chieh	2021.08.12	Taiwan Corporate Governance Association	The best tool for remote auditing in the post-epidemic era - big data auditing and risk intelligence dashboard	3 hours

Items of Evaluation		Implementation			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
		Yes	No	Summary	
		2021.11.11	Taiwan Corporate Governance Association	Innovation, digital technology and competitive advantage	3 hours
		2021.12.02	Taiwan Corporate Governance Association	Enterprise Risk Management	3 hours
		2021.12.02	Taiwan Corporate Governance Association	Corporate Governance 3.0-Sustainable Development Roadmap	3 hours
Independent director	Lee, Fa-Yauh	2021.08.12	Taiwan Corporate Governance Association	The best tool for remote auditing in the post-epidemic era - big data auditing and risk intelligence dashboard	3 hours
		2021.11.11	Taiwan Corporate Governance Association	Innovation, digital technology and competitive advantage	3 hours
		2021.12.02	Taiwan Corporate Governance Association	Enterprise Risk Management	3 hours
		2021.12.02	Taiwan Corporate Governance Association	Corporate Governance 3.0-Sustainable Development Roadmap	3 hours
Independent director	Kuo, Ming-Jian	2021.04.23	Taiwan Insurance Institute	FinTech - Artificial Intelligence and Technology Law	3 hours
		2021.07.29	Taiwan Investor Relations Institute	Practical analysis of new version of corporate governance and Board performance evaluation	3 hours
Independent director	Eizo Kobayashi	2021.12.01	Taiwan Corporate Governance Association	Insider Trading-Liabilities and Cases in Taiwan Responsibilities and Cases of Insider Trading in Taiwan	3 hours
		2021.12.01	Taiwan Corporate Governance Association	Corporate Governance & Securities Law	3 hours
		2021.12.02	Taiwan Corporate Governance Association	Enterprise Risk Management	3 hours
		2021.12.02	Taiwan Corporate Governance Association	Corporate Governance 3.0-Sustainable Development Roadmap	3 hours
Independent director	Ankur Singla	2021.12.01	Taiwan Corporate Governance Association	Insider Trading-Liabilities and Cases in Taiwan	3 hours
		2021.12.01	Taiwan Corporate Governance Association	Corporate Governance & Securities Law	3 hours
		2021.12.02	Taiwan Corporate Governance Association	Enterprise Risk Management	3 hours
		2021.12.02	Taiwan Corporate Governance Association	Corporate Governance 3.0-Sustainable Development Roadmap	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	Avigdor Willenz	2021.12.01	Association		
		2021.12.01	Taiwan Corporate Governance Association	Insider Trading-Liabilities and Cases in Taiwan	3 hours
		2021.12.02	Taiwan Corporate Governance Association	Corporate Governance & Securities Law	3 hours
		2021.12.02	Taiwan Corporate Governance Association	Enterprise Risk Management	3 hours
Independent director (Note 1)	Chang, Chih-Ping	2021.05.13	Taiwan Corporate Governance Association	Corporate mergers and acquisitions and the responsibility of directors and supervisors	3 hours
		2021.08.12	Taiwan Corporate Governance Association	The best tool for remote auditing in the post-epidemic era - big data auditing and risk intelligence dashboard	3 hours
Independent director (Note 1)	Chen, Shuh	2021.05.13	Taiwan Corporate Governance Association	Corporate mergers and acquisitions and the responsibility of directors and supervisors	3 hours
Independent director (Note 1)	Lin, Shiou-Ling	2021.05.13	Taiwan Corporate Governance Association	Corporate mergers and acquisitions and the responsibility of directors and supervisors	3 hours
Independent director (Note 1)	Chen, Wei-Zen	2021.04.15	Taiwan Corporate Governance Association	Fubon Insurance Seminar - Director’s and Supervisor’s Responsibility and Risk Management	3 hours
		2021.05.13	Taiwan Corporate Governance Association	Corporate mergers and acquisitions and the responsibility of directors and supervisors	3 hours

Note 1: Chairman Mr. Kuo, Fai-Long and Independent directors: Mr. Chang, Chih-Ping, Mr. Chen, Shu, Ms. Lin, Shiou-Ling, and Mr. Chen, Wei-Zen retired on July 8, 2021.

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 2021.

Job Title	Name	Date of Education	Organized by	Name of Course	Hours of Education
Accounting Manager	Chen, Fang-I	2021.09.23	Accounting Research and Development Foundation	Latest “Corporate Governance 3.0 - Sustainable Development Roadmap” in relation to self-preparation of financial statements and practice	3 hours

Items of Evaluation		Implementation			Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
		Yes	No	Summary	
		2021.09.23	Accounting Research and Development Foundation	Case study on "misrepresentation of financial statements" and discussion on related legal liability	3 hours
		2021.09.24	Accounting Research and Development Foundation	The practice of cooperating with accountants in auditing by enterprises: Liability of "fraud" in the audit of financial statements	3 hours
		2021.09.24	Accounting Research and Development Foundation	Practice of "Sustainability Report" under Corporate Governance 3.0 Policy	3 hours
Audit Supervisor	Huang, Kuo-Ning	2021.11.02	Internal Audit Committee	Auditing practice and management of the fraud risk	6 hours
		2021.11.05	Internal Audit Committee	War and protection of invisible assets--business secrets and competition	6 hours
Corporate Governance Manager	Lin, Hsing-Hsuan	2021.08.12	Taiwan Corporate Governance Association	The best tool for remote auditing in the post-epidemic era - big data auditing and risk intelligence dashboard	3 hours
		2021.11.11	Taiwan Corporate Governance Association	Innovation, digital technology and competitive advantage	3 hours
		2021.03.08	Accounting Research and Development Foundation	Using ESG to enhance corporate strategy capability	3 hours
		2021.03.22	Taiwan Corporate Governance Association	The development trend of green industry - low-carbon investment prospects and business strategies	3 hours
		2021.03.24	Accounting Research and Development Foundation	Case study on insider trading and its legal liability	3 hours
		2021.04.22	Taiwan Corporate Governance Association	Net zero emissions, carbon neutrality and corporate compliance	3 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 on a regular basis.

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	Name	Professional qualification and experience Independence	Number of Other Public Companies where the Individual Concurrently Serves as a Member of the Remuneration Committee
Independent director	Lee, Fa-Yauh	Please refer to disclosure of directors' qualifications and independence of the independent directors from page18 to page 20 .	None
Independent director	Huang, Shu-Jian		None
Member of Committee	Chang, Chih-Ping	<p>Professional qualification and experience : A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and has been awarded a certificate in a profession necessary for the business with 5-year experience; without any breach of conditions defined in Article 30 of the Company Act. He 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.</p> <p>Independence :</p> <ol style="list-style-type: none"> (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 1% or more of the total number of outstanding shares of the Company or ranks as one of its top ten shareholders. 	None

		<p>(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the officer in the preceding paragraph (1), or of any of the persons in the preceding paragraphs (2) and (3).</p> <p>(5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% 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 of the Company Act as director/supervisor.</p> <p>(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.</p> <p>(7) Not a director, supervisor, or employee of other company whose chairman or general manager are the same person or spouse of the company.</p> <p>(8) Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company.</p> <p>(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, law, finance, accounting services or consultation amounted to less than a cumulative NT\$500,000 to the company or to any affiliate of the company, or a spouse thereof.</p> <p>(10) Not a spouse or a relative within the second degree of kinship to any other director of the company.</p> <p>(11) Not a governmental or juridical person or a representative as defined in Article 27 of the Company Act.</p>	
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(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: July 8, 2021 to July 7, 2024.

3. The Compensation Committee has held 2 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 (Note 1)	Lee, Fa-Yauh	1	0	100%	July 8, 2021 newly-appointed
Member of Committee	Huang, Shu-Chieh	1	0	100%	July 8, 2021 newly-appointed
Member of Committee	Chang, Chih-Ping	1	0	100%	July 7, 2021 retired, March 7, 2022 newly-appointed
Convener (Note 1)	Kuo, Ming-Jian	1	0	100%	July 8, 2021 newly-appointed, December 9, 2021 resigned
Member of Committee	Lin, Shiou-Ling	1	0	100%	July 7, 2021 resigned
Member of Committee	Chen, Wei-Zen	1	0	100%	July 7, 2021 resigned

Note 1: Mr. Kuo, Ming-Jian resigned as the convener on December 9, 2021;

Mr. Lee, Fa-Yauh assumed the duty of convener on March 7, 2022.

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 9th session of the 4th term 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.
The 1st session of the 5th term 2021.12.07	●The annual salary structure of the Company's managers	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 2nd session of the 5th term 2021.03.09	●The proposal for the distribution of remuneration for employees and directors of 2021	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):

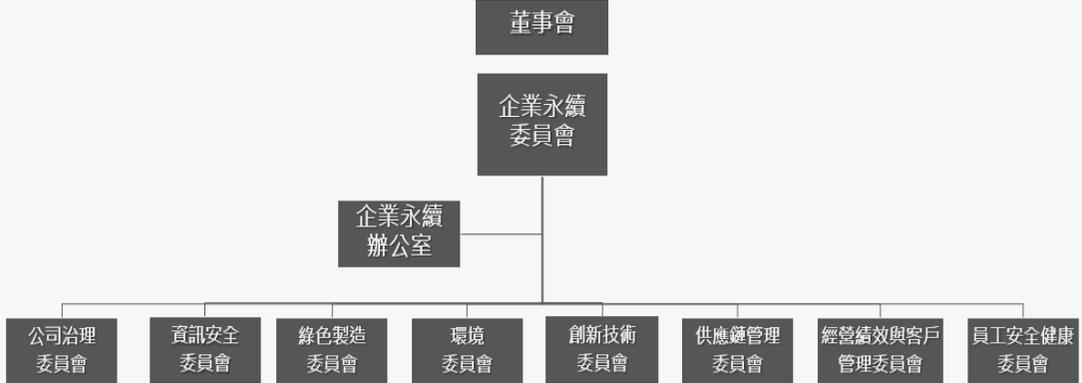
No such circumstances in the year.

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.

(2) Information on nomination of committee members and operational status of the remuneration committee: None

(V) Implementation Status of Sustainable Development and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons:

Promotional Items	Implementation Status		Summary	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
I. Does the company establish a governance framework for sustainable development and a dedicated (or ad-hoc) sustainable development unit with authorization by the Board of Directors for senior management to handle related matters, which is supervised by the Board of Directors?	V		<p>Senior Vice President, Mr. Li, Hsun-Te, was appointed as the new Chairman of the Company's sustainability committee in December 2021. For the continuation of the concept of sustainability, the former Chairman Mr. Kuo, Fai-Long served as the advisory member. All members of the committee were working together to set the mission and goals of the committee. Furthermore, the Company also announced the establishment of the Corporate Sustainability Office to follow up on the implementation strategy and implementation status of the mission and goals, and report the progress to the sustainability committee on a regular basis. Please refer to Accton's Corporate Sustainability Report for details.</p> 	No discrepancy
II. Has Accton set up full-time (part-time) units to promote corporate social responsibility, which is handled by senior management appointed by the Board of Directors, which is reported to the Board of Directors?	V		<p>The Company has formulated "Corporate Social Responsibility Best Practice Principles" to implement and promote corporate governance and conduct risk assessments on environmental, social and corporate governance issues related to the Company's operations. For risk management strategies and measures related to the development of a sustainable environment and the protection of social welfare, please refer to the Company's Corporate Sustainability Report</p>	No discrepancy

Promotional Items	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof												
	Yes	No	Summary													
			<table border="1"> <thead> <tr> <th>Major Issues</th> <th>Content</th> <th>Management Strategy and Implementation Objectives</th> </tr> </thead> <tbody> <tr> <td>Environmental issues</td> <td>Environmental protection, climate change, energy and water saving, waste management</td> <td> <ol style="list-style-type: none"> 1. Accton adopts the policy of "commitment to green design to reduce the environmental impact of products and ensure zero use of hazardous substances" to fulfill corporate responsibilities for environmental sustainability. 2. Regarding the impact of climate change on the environment, the Company has set the goal of energy conservation and carbon reduction, taking 2019 as the baseline year, and aiming to reduce the overall energy intensity by 2% before 2025. 3. All waste from Accton's plants and offices, is classified and sorted according to regulations. Removal, disposal, transportation, treatment, and reuse of waste are handled by the specialized companies approved by the government. 4. To reinforce continuous promotion of water conservation and cherish water resources. 5. The Company undertakes to continuously promote resource recycling and reuse as well as industrial waste reduction. </td> </tr> <tr> <td>Social issues</td> <td>Occupational safety and health, employee recruitment and training, supply chain management</td> <td> <ol style="list-style-type: none"> 1. To ensure that the Company's products comply with safety regulations. 2. According to the Responsible Business Alliance (RBA), the Company formulates a supplier code of conduct statement, requiring suppliers to have quality, technology and delivery capabilities, fulfill corporate social responsibilities, and build a sustainable supply chain. 3. In compliance with the relevant laws and regulations on safety and health, the Company holds related safety and health training as well as fire safety training on a regular basis. 4. To establish the nursery and baby care center for the infants and young children and to provide annual health examination for employees. </td> </tr> <tr> <td>Corporate Governance</td> <td>Compliance of corporate governance laws and regulations</td> <td> <ol style="list-style-type: none"> 1. To implement internal control mechanisms to ensure that all employees and operations of the Company follow relevant laws and regulations. 2. To reinforce the corporate governance policy continuously. </td> </tr> </tbody> </table>	Major Issues	Content	Management Strategy and Implementation Objectives	Environmental issues	Environmental protection, climate change, energy and water saving, waste management	<ol style="list-style-type: none"> 1. Accton adopts the policy of "commitment to green design to reduce the environmental impact of products and ensure zero use of hazardous substances" to fulfill corporate responsibilities for environmental sustainability. 2. Regarding the impact of climate change on the environment, the Company has set the goal of energy conservation and carbon reduction, taking 2019 as the baseline year, and aiming to reduce the overall energy intensity by 2% before 2025. 3. All waste from Accton's plants and offices, is classified and sorted according to regulations. Removal, disposal, transportation, treatment, and reuse of waste are handled by the specialized companies approved by the government. 4. To reinforce continuous promotion of water conservation and cherish water resources. 5. The Company undertakes to continuously promote resource recycling and reuse as well as industrial waste reduction. 	Social issues	Occupational safety and health, employee recruitment and training, supply chain management	<ol style="list-style-type: none"> 1. To ensure that the Company's products comply with safety regulations. 2. According to the Responsible Business Alliance (RBA), the Company formulates a supplier code of conduct statement, requiring suppliers to have quality, technology and delivery capabilities, fulfill corporate social responsibilities, and build a sustainable supply chain. 3. In compliance with the relevant laws and regulations on safety and health, the Company holds related safety and health training as well as fire safety training on a regular basis. 4. To establish the nursery and baby care center for the infants and young children and to provide annual health examination for employees. 	Corporate Governance	Compliance of corporate governance laws and regulations	<ol style="list-style-type: none"> 1. To implement internal control mechanisms to ensure that all employees and operations of the Company follow relevant laws and regulations. 2. To reinforce the corporate governance policy continuously. 	
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Promotional Items	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
III. Environmental Issues (I) Has the Company set an environmental management system designed to industry characteristics?	V		<p>The company adheres to the business philosophy of respecting life, recognizes the limited resources of the earth and the importance of sustainable development, and concerns about global environmental issues and trends. In addition to complying with the environmental laws and regulations of each operating site, the Company also actively cooperates with customers to promote the environmental management system and considers compliance with laws and regulations as a fundamental requirement.</p> <p>The Company has obtained ISO 14001 and ISO 14064-1 environmental management system certificates for its main production sites in Taiwan, which are regularly verified by third parties every year and are still valid as of the published date of the annual report.</p> <p>(1)ISO14001 : 2015 Environmental Management System Certification: Major production sites: Hsinchu Plant 1, Hsinchu Plant 2, and Zhunan Plant (the latest certificate is valid from July 20, 2020 to July 10, 2022).</p> <p>(2)ISO14064-1 : 2018 greenhouse gas verification: Major production sites: Hsinchu Plant 1 and Zhunan Plant obtained ISO 14064-1 each year since 2020: In addition to 2018 greenhouse gas verification for Hsinchu Plant 1 and Zhunan Plant, Hsinchu Plant 2 obtained greenhouse gas verification in 2021. Greenhouse gas verification is conducted each year in accordance with the regulations.</p>	No discrepancy
(II) Is Accton committed to improving the efficiency of utilizing various resources and using recycled materials with low impacts on the environment?	V		<p>Accton reduces the use of raw and packaging materials as well as related substances through effective management. Accton starts from product design, improvement of energy efficiency and harmful substances and packaging reduction to cooperate with customer, and material and technology suppliers through R&D team and applies innovative thinking to develop more environmentally friendly green products.</p> <p>Accton aims to implement its policy of "commitment to green design to reduce the environmental impact of products and ensure zero use of hazardous substances", fulfill corporate responsibilities for environmental sustainability, meet stakeholders' expectations, and continue to comply with international regulatory requirements[RoHS (EU/China/Taiwan/Ukraine/UAE...) ,EU REACH, CA Pro 65, EU Battery Directive...].</p> <p>Accton continuously reviews the management of hazardous substances and updates the regulations in the "Accton Green Product Hazardous Substance Management" each year in accordance with international regulations, customer requirements, and environmental protection trends.</p> <p>The Company conducts supplier material surveys starting from the R&D stage. All models fully comply with related international regulations/directives on hazardous substances and customer requirements. The Company conducted XRF inspections for inbound materials in accordance with the inbound material</p>	No discrepancy

Promotional Items	Implementation Status		Summary	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
			<p>sampling inspection plan. The disqualification rate in sampling inspections of materials was 0%.</p> <p>Accton classifies waste and disposes of waste properly in accordance with the "Waste Disposal Act". All waste from Accton's plants and offices, is classified and sorted according to regulations. Removal, disposal, transportation, treatment, and reuse of waste are handled by the specialized companies approved by the government.</p> <p>The Company has set the goal for the energy efficiency, taking 2019 as the baseline year, and aiming to reduce the overall energy intensity by 2% before 2025.</p>	
(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 change has caused floods, droughts and typhoons due to rising global temperatures, which not only affects normal operations and production activities, but also poses significant risks to the sustainable development of enterprises.</p> <p>Accton has disclosed potential risks and opportunities associated with climate change in Carbon Disclosure Project (CDP). Such as carbon tax, customer requirements for low-carbon products, use of low-carbon raw materials, increased costs due to carbon neutrality, and operational interruptions caused by natural disasters such as droughts, windstorms, sea level rise, floods and extreme weather, such as network system interruptions, plant damage, resulting in supply chain disruption, reduced production capacity or shutdowns, loss of life and property, etc.</p> <p>To this end, in addition to formulating "operational interruption recovery procedures", the Company has established a "sustainable development committee" to accelerate greenhouse gas reduction and expand the extent of greenhouse gas Scope 3 inventory, such as: product usage phase, employee travel, shipping phase, etc. Based on the results of the greenhouse gas inventory and the carbon reduction path of SBT 1.5°C of the "Scientific-Based Carbon Reduction Target", Accton will adjust the short-, medium- and long-term carbon reduction targets, and carry out reduction plans to make continuous improvement. Accton has established a relevant emergency response system to act quickly in the event of a disaster and minimize the impact to the Company, in line with international trends and customer expectations.</p>	No discrepancy
(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	V		<p>1. and waste generation at main production sites every year, and continues to promote energy saving and carbon reduction activities.</p> <p>(1) Greenhouse gas: The Scope 1 and Scope 2 carbon emissions (tons of CO₂e) of Accton's main production sites are as follows: The source of data in 2020 was verified by a third party, and the greenhouse gas verification for FY2021 was completed in March 2022.</p>	No discrepancy

Promotional Items	Implementation Status		Summary	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof																		
	Yes	No																				
energy and water consumptions, carbon and greenhouse gas emissions, and waste production?			Scope 1 carbon emissions: Direct greenhouse gas emissions from the company's use of gasoline, diesel, air-conditioning refrigerants, gas, and septic tanks.																			
			<table border="1"> <thead> <tr> <th>Plant</th> <th>2020</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Hsinchu main plant</td> <td>255</td> <td>351</td> </tr> <tr> <td>Hsinchu 2nd plant</td> <td>13</td> <td>12</td> </tr> <tr> <td>Zhunan plant</td> <td>120</td> <td>489</td> </tr> <tr> <td>Joytech</td> <td>40</td> <td>38</td> </tr> <tr> <td>Total</td> <td>428</td> <td>890</td> </tr> </tbody> </table>		Plant	2020	2021	Hsinchu main plant	255	351	Hsinchu 2nd plant	13	12	Zhunan plant	120	489	Joytech	40	38	Total	428	890
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(2) Water consumption:																						
Accton's manufacturing process does not require water. Thus, the water consumption are only for employees' daily consumption. The main source of water comes from tap water (cubicmeter) and is consumed as follows:																						
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			<p>(3) Waste:</p> <p>Waste output (metric ton) and recycling rate (%) of the main production sites are as follows:</p> <p>Total waste output (metric ton)</p> <table border="1"> <thead> <tr> <th>Plant</th> <th>2020</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Hsinchu main plant</td> <td>348</td> <td>220</td> </tr> <tr> <td>Hsinchu main plant</td> <td>107</td> <td>80</td> </tr> <tr> <td>Zhunan plant</td> <td>790</td> <td>800</td> </tr> <tr> <td>Joytech</td> <td>370</td> <td>441</td> </tr> <tr> <td>Total</td> <td>1,615</td> <td>1,541</td> </tr> </tbody> </table> <p>Total resource recycling and reuse volume (metric ton)</p> <table border="1"> <thead> <tr> <th>Plant</th> <th>2020</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Hsinchu main plant</td> <td>277</td> <td>165</td> </tr> <tr> <td>Hsinchu main plant</td> <td>83</td> <td>70</td> </tr> <tr> <td>Zhunan plant</td> <td>723</td> <td>773</td> </tr> <tr> <td>Joytech</td> <td>183</td> <td>181</td> </tr> <tr> <td>Total</td> <td>1,266</td> <td>1,189</td> </tr> </tbody> </table> <p>Recycling ration</p> <table border="1"> <thead> <tr> <th>Plant</th> <th>2020</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Hsinchu main plant</td> <td>79.60%</td> <td>75.10%</td> </tr> <tr> <td>Hsinchu main plant</td> <td>77.57%</td> <td>87.30%</td> </tr> <tr> <td>Zhunan plant</td> <td>91.52%</td> <td>96.62%</td> </tr> <tr> <td>Joytech</td> <td>49.34%</td> <td>41.01%</td> </tr> <tr> <td>Total</td> <td>78.39%</td> <td>77.16%</td> </tr> </tbody> </table> <p>1. The policies, reduction goal, promotion measures and achievement status of greenhouse gases, water consumption and waste are as follows.</p> <p>(1) Greenhouse gases:</p> <p>The greenhouse gas policy is stated in the greenhouse gas inventory report:</p>	Plant	2020	2021	Hsinchu main plant	348	220	Hsinchu main plant	107	80	Zhunan plant	790	800	Joytech	370	441	Total	1,615	1,541	Plant	2020	2021	Hsinchu main plant	277	165	Hsinchu main plant	83	70	Zhunan plant	723	773	Joytech	183	181	Total	1,266	1,189	Plant	2020	2021	Hsinchu main plant	79.60%	75.10%	Hsinchu main plant	77.57%	87.30%	Zhunan plant	91.52%	96.62%	Joytech	49.34%	41.01%	Total	78.39%	77.16%	
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	Yes	No		
			<p>Global climate and environment are gradually deteriorating due to the effects of greenhouse gases. As a member of the earth's citizens, in order to fulfill the corporate responsibility for environmental protection, the Company will strive to complete the following:</p> <ol style="list-style-type: none"> a. The Company is committed to the greenhouse gas inventory, in order to accurately grasp its own greenhouse gas emissions. b. Based on the results of the inventory, further plans related to the statement of greenhouse gas emissions will be carried out. <p>Greenhouse Gas Reduction goal:</p> <p>According to the characteristics of Accton's manufacturing process, electricity consumption accounts for more than 90% of greenhouse gas emissions. The Company has set the goal of energy conservation and carbon reduction, taking 2019 as the baseline year, and aiming to reduce the overall energy intensity by 2% before 2025.</p> <p>In order to accelerate the reduction of GHG, Accton has begun to conduct a detailed inventory project of emission hot-spots in 2022, and expanded the extent of GHG Scope3 inventory, examples include: product usage phase, employee travel, shipping phase, etc. Based on the inventory result in 2022 and the carbon reduction path of SBT 1.5°C of the "Scientific-Based Carbon Reduction Target", Accton will adjust the short-, medium- and long-term carbon reduction targets accordingly in 2023, and carry out reduction plans to make continuous improvement.</p> <p>The global climate has undergone significant changes due to the impact of the greenhouse effect. Natural disasters such as floods, droughts, windstorms, and snowstorms occur frequently, and their intensity and scope of influence have gradually expanded, posing potential risks to the sustainable operation of enterprises. In response, Accton has formulated a greenhouse gas policy and implemented the following measures:</p> <ol style="list-style-type: none"> a. Fully utilize electronic signing and approving procedures to reduce paper usage. b. Strictly manage the demands for power, as well as the lighting and air conditioning in unused areas. c. 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. d. Install frequency converter and set timing control in the ventilation system of the basement. e. Plan for the replacement of LED lighting systems in different areas. 	

Promotional Items	Implementation Status		Summary	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
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			<p>f. Replace the air conditioning equipment with high energy consumption in different areas to increase energy efficiency and reduce loss.</p> <p>g. Replace old power systems and cables to reduce energy consumption.</p> <p>h. Incorporate environmental performance requirements into the procurement process, such as prioritizing the purchase of equipment with better environmental performance, for example: environmental protection label, water efficiency label, etc.</p> <p>Greenhouse gas emissions status: The increase of 11.57% in 2021 compared with 2020 was caused by the increase in production capacity.</p> <p>(2) Water consumption: The type of water resource used by the Company is tap water, and water for people's livelihood and air-conditioning account for about 50% each. Water use policy: Reinforce continuous promotion of water conservation and cherish water resources. Water saving measures are as follows: a. For people's livelihood water, the Company continues to replace old faucet with the water-saving induction faucet to reduce water consumption. b. Through the continuous promotion of various energy conservation management programs and advocacy, Accton expects to save energy more efficiently in the future.</p> <p>Achievement of water saving measures: In 2021, the use of tap water was reduced by 10.22% compared with 2020.</p> <p>(3) Waste: Accton's waste policy is disclosed in the environmental safety and health policy: Accton undertakes to continuously promote resource recycling and reuse as well as industrial waste reduction. All waste from Accton's plants and offices, is classified and sorted according to regulations. Removal, disposal, transportation, treatment, and reuse of waste are handled by the specialized companies approved by the government. Status of waste recycling and reuse:</p>	

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			<p>In 2021, the waste recycling rate was the same as that in 2020, at approximately 86%.</p> <p>2. According to the laws and regulations, greenhouse gas inventory declaration is not required for the Company. However, adhering to the vision of corporate sustainability, the Company completed external greenhouse gas verification by Bureau Veritas in 2020. The major production sites conduct an annual organization-based greenhouse gas inventory management system ISO 14064-1: As of the published date of the Annual Report, 2018 verification is still valid. In March 2022, the ISO 14064-1 verification was completed to comply with the regulations.</p> <p>The Company's major production sites in Taiwan have obtained the internationally accepted ISO 14001 and ISO14064-1 environmental management system certificates, and third-party verification is carried out on a regular basis every year. (The latest certificate is valid from July 20, 2020 to July 10, 2022).</p>													
IV. 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 believes 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 responsibility in manufacturing process. Accton also adheres to this spirit, including child labor and underage workers, forced labor, health and safety and environment, free association, prohibition of discrimination and inhumane treatment, working hours and other human rights issues norms.</p> <table border="1"> <thead> <tr> <th>Items</th> <th>Course type</th> <th>Advocating content</th> <th>Echelon</th> <th>Attendees</th> <th>Remark</th> </tr> </thead> <tbody> <tr> <td>Group New Employee</td> <td>Physical session</td> <td>Promote the Company's labor protection awareness,</td> <td>81</td> <td>702 persons</td> <td>New employee training</td> </tr> </tbody> </table>	Items	Course type	Advocating content	Echelon	Attendees	Remark	Group New Employee	Physical session	Promote the Company's labor protection awareness,	81	702 persons	New employee training	No discrepancy
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	Yes	No	Summary					
			Training		management guidelines and related norms			
			Global supply chain manager training	Physical session	Promote Accton's labor protection awareness, management guidelines and related norms	16	85 persons	RBA agent and Contractor training
			Global supply chain manager training	Physical session	Promote Accton's labor protection awareness, management guidelines and related norms	1	57 persons	Supplier Conference
(II) Has Accton established and offered proper employee benefits (including compensation, leave, and other benefits) and reflected the business performance or results in employee remuneration appropriately?	V		<p>Accton believes that talents are important parts of the sustainable operation of an enterprise. Therefore, we are committed to providing our employees with quality jobs, including competitive salaries and benefits, a well-established promotion channel and a safe environment. Accton creates a working atmosphere for continuous learning that is innovative and fun, so as to attract and retain talents. Recruitment, appointment and development of employees are all based on the work ability of employees. According to gender analysis, male employees account for 47.9% of the number of regular employees, and female employees account for 52.1% of the number of regular employees. The percentage of female is relatively higher than that of male. In 2020, female manager accounted for 26.4% of management positions, and 27.7% in 2021. The percentage is increasing year by year.</p> <p>The Company provides a variety of comprehensive welfare benefits. Group insurance includes fixed-term life insurance, accidental injury medical allowances, hospitalization medical insurance, cancer medical insurance and occupational disaster insurance. Cancer insurance includes first-time cancer insurance and cancer death insurance. These insurances provide financial relief for employees and dependents when accidents occur. The employees of the company married with each other are provided with NT\$3,000 of allowance per month per person, i.e. NT\$6,000 for each couple. To support female employees, the company has dedicated parking spaces for pregnant mothers and appointed professional nurses to provide health consultation and health education to pregnant employees before, during, and after pregnancy. We provide pregnant employees with gifts and encourage them to report their pregnancies. We also provide employees with postpartum care and free psychological counseling channels as well as the right to unpaid parental leave in accordance with</p>					No discrepancy

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			regulations. In response to employee's needs for caring their children, Accton established the first nursery and baby care center for the infants and young children from 0 months to 6 years old in Hsinchu Science Industrial Park. The number of national holidays was reduced from 19 to 12 days in the amendment of the Labor Standards Act in 2017. Accton offers employees with 7 days of flexible leave which is superior to statutory requirements. If an employee requires long-term leave due to a major injury or illness, the employee may apply for a one-year leave with pay. To support employees' medical treatment, we also provide transportation to and from medical appointments. To encourage employees to actively participate in social welfare activities, the Company provides 2 days (16 hours) volunteer leave for employees to use workdays or holidays to participate in charity activities organized by the Company and use real actions to help the society. In addition to general benefits such as labor health insurance and pension benefits, the additional benefits provided by the Company include: Annual and holiday bonuses, bonus distribution, share subscription by senior employees, employee emergency assistance, marriage, maternity and hospital 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. We set up the Employee Welfare Committee to provide children's scholarships, funeral subsidies, gift coupons for festivals and birthdays, movie tickets, group travel subsidies and travel activities for employees, family days, club activities, volunteer activities, ball games or physical endurance competitions, Accton Talk, special supplier services, movie packages, and activities for art and hobbies.	
(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"> 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. 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. 3. Organized safety and health education and chemical hazard general courses for new and active workers every year. A total of 3,227 employees 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. A total of 5,047 colleagues participated in the training in 2021. 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 	No discrepancy

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			<p>management, organic solvent operation, stacker operation and environmental waste disposal and other related courses. A total of 129 colleagues obtained certificates in 2021.</p> <p>5. The Company has a health management office dedicated to managing employee health, planning and organizing employee health checks, health promotion and other activities. The Company provide comprehensive care and concern for employees, such as through sick leave care, proactively identifying employees' needs, and providing health guidance. Based on the situation of the case, it will be referred to different protection plans, such as maternal protection, abnormal overload and middle-aged and elderly protection plans. The Group also provides annual health check to its employees with the age limitation better than regulatory requirements. Through disease risk classification, health management is carried out, and health promotion activities are planned accordingly, and a health management model for Accton's employees is formulated to facilitate employee health promotion. In 2021, Accton won the National Excellent Workplace - Motherhood Health-Friendly Award and was assessed by the Health Promotion Administration, Ministry of Health and Welfare to meet the Healthy Workplace Certification and obtained the Health Promotion Mark. The Company provides a friendly workplace certified by government authority to ensure that employees can work in a safe and healthy environment.</p> <p>6. In 2021, due to the COVID-19 epidemic, health lectures and other activities were canceled, and because of the impact of COVID-19 on our living habits and mood, the annual health promotion program was adjusted. The Company designed a series of anti-epidemic activities, hoping to promote and educate colleagues and family members to implement a new life of anti-epidemic, develop correct hygiene habits, and present their feelings in the form of writing or drawing to express their mood. There were 3 sessions with 1,269 participants including the family members.</p>	
(IV) Has Accton established effective career development and training plans for its employees?	V		<p>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 2021, the company conducted 36,006 hours of education and training on related topics.</p>	No discrepancy

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(5) Has Accton followed relevant laws, regulations and international guidelines for the customer health and safety, customer privacy, and marketing and labeling issues of its products and services and established related	V		<p>The products produced by the Company are in line with international ISO certification, such as ISO9001, TL9000, ISO14001, IECQ QC080000 and EU RoHS regulations, aiming to provide customers with quality products.</p> <p>The Company complies with confidentiality agreements and personal data protection laws for the privacy of customers. In order to mitigate the health and safety risks of employees, visitors and customers, the Company has obtained ISO45001 and ISO27001 certification. At the same time, the Company provides standardized and effective compliant procedures for products and services, and clearly stipulates the responsibilities and relevant provisions in the agreement with customers. In addition, Accton has formulated the "Customer Complaint Management Procedure" to address the issue of customer complaint. Accton will gather all relevant units to discuss and set a time frame to resolve the problem and for customer follow-up until the customer is</p>	No discrepancy															

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consumer protection policies and grievance procedures?			satisfied before closing the case.	
(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		<p>The Company works with supplier partners as a team, and continues to cooperate with suppliers to reduce environmental risks, and seek to improve the environmental performance of the overall supply chain, establish an proactive and responsible supply chain management strategy and formulate specific environmental management practices and goals. Through auditing, training and communication, the Company leads the supply chain to fulfill environmental responsibilities and pay attention to social and environmental values, with respect for human rights as the foundation, and continue to work towards a sustainable supply chain. Based on cooperation, through the management mechanism of Accton supply chain, Accton and supply chain share social and environmental responsibilities.</p> <p>The Company's supply chain management strategy:</p> <ol style="list-style-type: none"> 1. Improve cost leadership capability, integrate group resources, and obtain the most competitive supply chain value through strategic cooperation. 2. Establish sustainable supply chain capabilities, drive suppliers to improve their performance in economic, social and environmental aspects, and promote sustainable development of suppliers. 3. Strengthen the supply chain capability, and continue to guide suppliers in their diversified supply and localized supply capabilities. 4. Build up a green supply chain and encourage suppliers to take measures for energy saving and carbon reduction towards circular economy. 5. Attach importance to environmental friendliness and proactively implement green procurement, pursuing economic benefits while being friendly to the environment. 6. No compromise on conflict minerals to ensure that products and supply chains are free of conflict minerals. 7. Implement sustainable risk management, pay attention to suppliers' energy and resource use and resource management to cope with the impact of extreme climate change on the supply chain. 8. Concern about environmental issues and being committed to reducing the impact of environmental pollution by enhancing the recycling of waste resources. <p>Accton's commitment</p> <ol style="list-style-type: none"> 1. Accton strongly believes that fulfilling economic, environmental and social responsibilities is an important key to the sustainability of enterprises. Accton's goal is to actively promote economic, 	No discrepancy

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			<p>environmental and social responsibilities within the enterprise to pursue the benefit of stakeholders such as customers, employees, suppliers, and communities.</p> <p>2. Accton proactively monitors the fire, earthquake, safety, health and risk, environmental protection, labor and human rights of the supply chain. Supply chain risk management is an integral part of competitiveness of the Company. The Company pays attention to the risks of suppliers in the supply chain, and proactively provides assistance when necessary.</p> <p>3. Suppliers are required to review and control the operating conditions and the diversification of material sources, as well as the geographical location of suppliers' production lines, to mitigate the risk of material shortages in the event of extreme weather or significant natural disasters in the future.</p> <p>4. The Company conducts risk assessment for supply chain manufacturers, establishes a set of supplier sustainability evaluation scoring methods, and incorporates delivery time, quality, finance, operations, etc. into the risk assessment of the supply chain, which forms an important basis for Accton's procurement strategy.</p> <p>5. The Company proactively requests specific materials (gold, tantalum, tin, tungsten) manufacturers to sign a consent form or provide a declaration form to ban conflict minerals from restricted countries to prevent the purchase of conflict metals from Eastern DRC or Central Africa. Suppliers are encouraged to have similar management policies in place. The relevant procurement policies are also disclosed on the corporate social responsibility section of the Company's website to ensure that the metal procurement procedures comply with social and environmental responsibilities.</p> <p>6. Respect, protect intellectual property rights, and conduct fair trade, advertising and competition.</p> <p>7. The Company is committed to business integrity, and any form of accepting improper benefits, corruption, extortion, embezzlement of public funds, etc. are clearly prohibited. Confidentiality mechanism has been put in place to protect the identity information of whistleblower and the accused.</p> <p>The Company successfully passed IECQ QC 080000 in December 2021: 2017 Hazardous material process management system renewal was completed. We strictly implement the management of hazardous substances in raw materials, and conduct raw material investigations on suppliers from the beginning of material selection at the research and development stage to meet relevant international hazardous substance requirements such as RoHS and REACH. In 2021, 196 manufacturers responded to the reports on hazardous substances, with a total of 325 BOMs. Therefore, the materials used are all in accordance with the requirements of international standards.</p> <p>In addition, the Company conducts due diligence on priority minerals in the supply chain in accordance with</p>	

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			<p>the Organization for Economic Co-operation and Development (OECD) "Due Diligence Guidelines for Responsible Supply Chains in the CHARAs Region", and requires suppliers to conduct due diligence in accordance with OECD guidelines , and follow the Responsible Minerals Initiative (RMI) tools for regular reporting to increase supply chain transparency. In 2021, 356 trading manufacturers were included in the survey, with 100% response rate of CMRT/CRT, and the rate of manufacturers not using conflict minerals at 100%.</p> <p>The suppliers of materials used by the Company are all in compliance with the policy of "No Conflict Minerals".</p>	
V. Does Accton prepare the Corporate Sustainability report to disclose non-financial information in accordance with internationally recognized sustainability report preparation standards and guidelines? Has the aforementioned report obtained the assured or verified opinion from a third party?	V		<p>In order to achieve no deviation between this report and GRI Sustainability Reporting standards 2018 and to enhance the transparency and reliability 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 Company's report. The 2020 Corporate Social Responsibility Report has obtained the AA1000 ASv3 Type 1 Moderate Assurance Certificate in May 2021. The 2021 Corporate Sustainability Report is currently under verification process in accordance with the same standards.</p>	No discrepancy
<p>VI. If Accton formulated its own Corporate Sustainability Development Best Practice Principles in accordance with the Corporate Sustainability Development 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", which was renamed as "Sustainable Development Best Practice Principles" approved by the Board of Directors on March 17, 2022. 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 terms stated in the supplier social and environmental responsibility agreement. Suppliers are expected to fulfill their corporate sustainability responsibility. There is no difference between these principles in term of operation.</p>				

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VII. Other important information that facilitates the understanding of the promoting sustainable development:

“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.

Accton E-Charity

Assisting all public welfare organizations in Taiwan

At the end of 2021, Accton E-Charity has a total of 333 public welfare group members and 300,000 individual members. Accton pays for all costs associated with the operations of the website to help charity organizations use the platform without any cost. The total donations to charity organizations in Taiwan through Accton. E-Charity amounted to NT\$33.96 million in 2021.

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 2021, the Taiwan Public Welfare Service Association will donate NT\$ 8,090,000 in total, covering emergency relief for vulnerable families and assistance for public welfare projects.

Help for Vulnerable Families

In 2021, Accton E-Charity (www.17885.com.tw) has helped 266 families in need, with a total assistance amount of NT\$2,555,000. 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 2,500 families to walk out of depression, so that they can see hope in the future, and have the opportunity to regain their lives going forward! For disadvantaged families in the society, Accton E-Charity 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 dependents, and the additional medical expenses are not covered by the health insurance bureau or the labor insurance bureau.

Promotional Items	Implementation Status		Summary	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
			(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) Care for physical and mental disorders In order to support inclusive education for people with disabilities, Taiwan Public Welfare Service Association cooperated with Special Olympics Chinese Taipei (Republic of China Sports Association for the Intellectually Disabled) in 2021 to conduct inclusive education in 14 campuses in Hsinchu City, Chiayi City, and Keelung City. The opportunities of positive interactions between ordinary students and special education students enable both parties to reciprocally understand the value of social diversity. In addition, Taiwan Public Welfare Service Association also cooperated with Spinal Cord Injury Social Welfare Foundation to organize friendly ambassador safety lecture. Through the foundation's professional lecturer training for friendly ambassador, the wounded lecturers who have completed the training can combine their own life stories with correct safety knowledge to give speeches and promotions across Taiwan. This has changed the public's stereotype image of the wounded, making their experience not just a sad memory, but a more meaningful positive education.	
			(II) Education for children in rural areas In order to enhance educational resources in rural areas, Taiwan Public Welfare Service Association cooperated with Taiwan Reach Out and Read Association on a book donation project in 2021, bringing more book resources to rural areas. Taiwan Public Welfare Service Association supported the plan of Zhi-Shan Foundation Taiwan to send teachers to rural areas to accompany growing-up children, so that children who haven't caught up with their peers can keep up, children who have lost their way can return, and children who are gifted can shine. Taiwan Public Welfare Service Association also sponsored iPower's rural classroom project, giving disadvantaged children on the north coast more educational resources in their second homes. Taiwan Public Welfare Service Association supported taitung children's bookstore psychological support program, so that teachers who work hard to take care of children can gain full mental energy. 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) Giving warm care in winter At the end of 2021, Taiwan Public Welfare Service Association assisted social welfare groups in the Chinese New Year Gathering Dinner, donated to Dr. Chen Wencheng Memorial Foundation in 3 consecutive years, organized the human rights banquet, and assisted the Yunlin County Elderly Welfare Protection Association, and arranged the dinner event for the elderly daycare center, with total donation of NT\$200,000. Through the care during the Chinese New Year, the Company helps the disadvantaged elderly and the political victims to enjoy the warmth and reunion of the society.	
			(IV) Anti-epidemic living supplies In order to help stabilize the domestic epidemic, in 2021, Taiwan Public Welfare Service Association donated related epidemic prevention equipment to units and organizations in need, such as protective suits and 1,500 masks to Hsinchu City Government, 2,000 protective suits to Hsinchu National Taiwan University Hospital, 40 boxes of epidemic prevention materials to World Peace Association, and epidemic prevention partition to Beunen Foundation, etc. In addition, for the public welfare groups that lacked living supplies during the epidemic, such as Xuhai elementary school, let love fly class, Hualien Jiaoer Association, Chiayi	

Promotional Items	Implementation Status		Summary	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
<p>Xingchun Elderly Canteen, and Peiyuan Canteen, Taiwan Public Welfare Service Association donated living supplies and rice, to provide economic and resource assistance.</p> <p>(V)Rehabilitated teenager support The rehabilitated teenagers are also a group that Taiwan Public Welfare Service Association cares for. In 2021, Taiwan Public Welfare Service Association supported the "Life Story Sharing Session" of the Bornanew Youth Caring Association to provide a stage for teenagers to share their experiences and increase their self-confidence. In addition, Taiwan Public Welfare Service Association also supported the relocation funds of Taoyuan Juvenile Home with actions. Through the group purchase activity from fast food trucks, employees can re-acquaint these teenagers who have changed greatly, and further help these teenagers who have lost their way to regain their courage and self-confidence!</p> <p><u>Accton Culture and Education Foundation</u></p> <p>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 2021 is NT\$ 2,009,058.</p> <p>(I) "Book to Send Hope" dream comes true campaign Accton Culture and Education Foundation has changed the format of activities from collecting Christmas gifts in previous years to inviting teachers and children from rural schools and classrooms to list the books they want. With the slogan of “You donate a book, Accton E-Charity donates one too”, the Foundation encourages employees of Accton to collect books for children in rural areas with the aim of creating a more lasting influence on the children through reading. In 2021, it assisted Nantou County Fugui Primary School, Nantou County Minhe Primary School, Nantou County Renhe Primary School, Hualien County Zhixue Primary School Attached Kindergarten, Hualien County Shoufeng Township Kindergarten, etc., donating a total of 433 books. Through reading, Accton hopes to expand the imagination of children and increase the possibilities of their future.</p> <p>(II) Caring Breakfast for Children In Hsinchu, at least thousands of children are on the verge of poverty because they are from the families with low and middle income, and they cannot obtain the subsidies granted by government. Accton has, since 2014, consolidated the power of all employees of the Group and sponsored a caring breakfast for more than 1,200 disadvantaged children in Hsinchu. The Company sponsored breakfast for 150 children in the amount of NT\$707,200 in 2021. The Company believes that providing children with nutritious breakfast helps them increase their focus in learning and provides them with the opportunities to change their future.</p> <p>(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 2021, a total of NT\$338,800 has been donated to assist 200 children. Accton Hope Project is not aimed at students with excellent academic</p>				

Promotional Items	Implementation Status		Summary	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
<p>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.</p> <p>(IV) After-school classes for disadvantaged children Management Association in Haikou Community in Pingtung County opened after-school classes for disadvantaged children. Most of the children are raised by single parents, grandparents, or foreign spouses, or come from dysfunctional families. In after-school classes, teachers guide the children in their lessons as well as give guidance when the children behave poorly to prevent children from being led astray due to neglect after school. Accton gathered the power of employees in the Group for the long-term sponsorship of meals of the after-school classes. Donations totaled NT\$196,800 in 2021.</p> <p>(V) Environmental sustainability lectures and workshops Continuing Accton's concept of environmental sustainability, Accton Culture and Education Foundation, in cooperation with Yuanpei Agricultural Workshop, designed lectures and design thinking workshops with the theme of environmental sustainability action, allowing participants to interact with top service designers, and come up with more innovative sustainable action plans.</p> <p>(VI) Psychological Accompanying for Children Continuing the drama spiritual lectures in previous years, Accton Culture and Education Foundation cooperated with the Black Dog Theater in 2021 to conduct an interactive drama course at Fugui Elementary School in Nantou County. The course let the children use their imagination to explore how to connect with the props. Through the physical training and interaction, children can not only open up their bodies, but also their hearts, and learn to get along with themselves and others through understanding their emotions.</p> <p><u>Accton Arts Foundation</u> To promote the awareness of the diversity of art and encourage sustainable and equal public participation, Accton established the "Accton Arts Foundation" in 2000. With the purpose of promoting cultural and artistic education, establishing a database of Taiwanese artists, promoting the overall creation of an arts and cultural community, and building a cultural and creative arts community, a dedicated website arttime has been established, serving as an online communication platform to provide information on arts and cultural activities, and introduce Taiwanese contemporary artists to the general public. Through sponsorship of various promotion campaigns, such as free tickets and purchase discounts, Accton Arts Foundation raises the visibility of independent artists and small art teams. Accton Arts Foundation is also committed to maintaining the monuments and historical buildings in the community, such as the historical Hsinchu Railway Art Village, preserving the characteristics and cultural value of the old buildings. Through art residency, art volunteers, aesthetic education and other activities, supplemented by new concept of health, it helps cultivate the mind and body of community residents. Accton Arts Foundation cooperates with local teaching institutions, such as Yangming University, Taipei University of Education, Tsing Hua University (Hsinchu University of Education), Ciao Tong University, etc., to make public space become a communication area between the school and the community. The railway warehouse, which was originally positioned as the center of regional arts and cultural activities, was built into a base for family and children to play, have fun, share and grow together. Through the performance of life aesthetics suitable for parents and children, the seeds of art are sown, and through the topic of "beauty", the interaction between the two generations is opened up. Having a warm family life also gives people more positive energy, which in turn makes the city have a milder temperament and more vitality.</p>				

Promotional Items	Implementation Status		Summary	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
<p>(I) Promotion of culture and arts education In 2021, Accton Arts Foundation planned and held 14 art-related exhibitions and 6 activities, planned “Accton X Forbidden City Art Teaching Plan Development Plan” to develop 8 series of courses, and supported “Pompidou 913 Art Promotion Project”, a total of 5 schools, 450 teachers and students completed the course; held the “Indigenous Culture Promotion Project” to continue the "Mihumisa(n)g Blessings You" Wulu Bunun cooperative spirit; supported the Taitung Wulu Elementary School Command Reconstruction Project, authorized 2 music licenses and held a public screening of a documentary.</p> <p>(II) Establishment of an artist talent database The artist-in-residence project of Accton Arts Foundation cultivated 6 artists in 2021, and held 6 artist solo exhibitions, and also cultivated 3 artists and 2 art interns in the art administration training project.</p> <p>(III) Promotion of the overall construction of art and literature community In 2021, the Hsinchu City Art Site of Railway House launched its operation. The venue was open for 238 days and held 20 exhibitions. Although the House was closed from May to July due to the epidemic, the annual number of visitors still reached 24,736.</p> <p>(IV) Building up a cultural and creative arts community The Arttime Art Network operated by the Accton Arts Foundation had a total of 25,365 members in 2021. In addition, in 2021, it teamed up with Taiwan Art Space Alliance (TASA) to jointly hold the "2021 TASA Annual Meeting" on-line.</p>				

(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	
<p>I. Formulation of Ethical Corporate Management Policies and Schemes</p> <p>(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?</p>	V		<p>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.</p> <p>No discrepancy</p>
<p>(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"?</p>	V		<p>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 and 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.</p> <p>No discrepancy</p>
<p>(III) Has Accton specified in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implemented them and review the prevention programs on a regular basis?</p>	V		<p>Accton specifies clear provisions in the "Code for Ethical Conduct of Employees" and the "Ethical Corporate Management Best Practice Principles", which are implemented and published on Accton's internal website for employees to check at any time, and also advocates core value and compliance with systems by staff through education and other diversified method, and requires staff to assume the important responsibility to maintain high ethical standards, company reputation and compliance. In addition, Accton provides a variety of systems for reporting unethical management. Accton always strictly handles any violation of ethics confirmed, and takes severe disciplinary measures against violators, such as termination of employment and taking appropriate legal action.</p> <p>No discrepancy</p>

Items of Evaluation	Implementation			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary	
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 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 2021, 0 cases were reported, and no major dishonesty occurred.	No discrepancy
(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	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	No discrepancy

Items of Evaluation	Implementation			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons																									
	Yes	No	Summary																										
relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit?			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.																										
(V) Does the Company regularly provide internal and external education and training about ethical management?	V		<p>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 2021, 191 sessions were held for ethical business management and prevention of insider trading, with 1,723 persons. 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 courses.</p> <table border="1"> <thead> <tr> <th>Items</th> <th>Course type</th> <th>Advocating content</th> <th>Echelon</th> <th>Attendees</th> </tr> </thead> <tbody> <tr> <td>Group New Employee Power Camp</td> <td>Physical session</td> <td>Advocate core values and code of conduct</td> <td>94</td> <td>787</td> </tr> <tr> <td>Group New Employee Power Camp</td> <td>Physical session</td> <td>Corporate ethics and related codes of conduct</td> <td>4</td> <td>124</td> </tr> <tr> <td>Group New Employee Power Camp</td> <td>Online Training</td> <td>Explain the core values and appropriate behaviors at workplace, and lead new employees to get familiar with the environment of the Company and to understand relevant code of conduct in ethics and integrity.</td> <td>1</td> <td>140</td> </tr> <tr> <td>Group New Employee Training</td> <td>Physical session</td> <td>Advocate good faith management and related ethical code of conduct, without any legitimate trading and group</td> <td>90</td> <td>663</td> </tr> </tbody> </table>	Items	Course type	Advocating content	Echelon	Attendees	Group New Employee Power Camp	Physical session	Advocate core values and code of conduct	94	787	Group New Employee Power Camp	Physical session	Corporate ethics and related codes of conduct	4	124	Group New Employee Power Camp	Online Training	Explain the core values and appropriate behaviors at workplace, and lead new employees to get familiar with the environment of the Company and to understand relevant code of conduct in ethics and integrity.	1	140	Group New Employee Training	Physical session	Advocate good faith management and related ethical code of conduct, without any legitimate trading and group	90	663	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				
					interests maintenance, prohibit insider trading.		
			Group senior manager training	Physical session	The code of conduct in corporate integrity and business ethics	2	9
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(https://www.accton.com.tw/interested/). 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. 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 2021.				No discrepancy
(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 2021.				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				No discrepancy

Items of Evaluation	Implementation			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
			Management of the Ethical Conduct of Employees” for details.	
IV. Enhancing Disclosure of Information Does Accton disclose its ethical corporate management policies and the results of its implementation on the company website and MOPS?	V		Accton discloses corporate social responsibility, ethical management and management policies and other information on its website. In addition, Accton sets dedicated department to be responsible for collecting and publishing its various information, sets up spokesperson, holds corporate description meeting for stating 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.	No discrepancy
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 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 191 echelons of ethics training for employees were held in 2021 (please refer to the description of the form on page 72 for the course content), and 1,723 attendees were trained.				

Items of Evaluation	Implementation		Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
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 17, 2022

Based on the results of our self-evaluation of our internal control system for the year 2021, we hereby declare as follows:

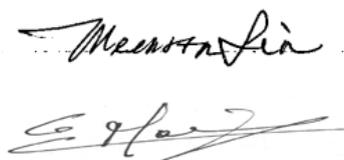
- I. Accton acknowledges that it is the responsibility of its Board of Directors and managers to establish, implement and maintain internal control system, and Accton has formulated the system. Our internal control is a process designed to provide reasonable assurance for the effectiveness and efficiency 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, 2021 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 17, 2022 None of the seven directors present have any objection. The rest agree to the contents of this statement and hereby declare.

Accton Technology Corporation

Chairman: Kuan Xin Investment Co., Ltd

Representative : Lin, Meen-Ron

President: Edgar Masri,



(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
2021.7.8	1. Admission of Business Report and Financial Statements of the Company for the Year of 2020.	The number of votes in favor is 443,454,976, accounting for 85.85% 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 Acknowledgment of Earnings Distribution of 2020.	The number of votes in favor is 442,964,351, accounting for 85.76% 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"> ● Ex-dividend base date: August 15, 2021 ● Cash Dividend Payment Date: August 31, 2021 ● Cash dividend allotted NT\$ 6.4956 per share.
	3. The proposal of election of the twelfth term of directors (including independent directors).	The number of votes in favor exceeds the statutory amount, and the case is adopted as the case. Results of election: List of elected Directors and the number of votes are as below: Kuan Xin Investment Corp. : 424,151,594 Representative of Ting Sing Co., Ltd.: Du, Heng-Yi : 413,861,872 Huang, Kuo-Hsiu : 412,212,445 Avigdor Willenz : 414,856,026 (Independent director) Eizo Kobayashi : 414,707,015 (Independent director) Ankur Singla : 414,307,574 (Independent director) Kuo, Ming-Jian : 413,306,039 (Independent director) Huang, Shu-Chieh : 412,807,014 (Independent director) Lee, Fa-Yauh : 412,607,015 (Independent director)
	4. The proposal for cancellation of the non-competition restriction on Accton's new directors and their representatives was passed.	The number of votes in favor is 437,639,002, accounting for 84.73% of the total voting power. The number of votes in favor exceeds the statutory amount, and the case is adopted as the case.

II. Meeting of Board of Directors

Date	Meeting of Board of Directors	Important Resolution
2021.01.28	The 15th Meeting of the 11th Board of Directors	<p>Passed the fourth quarter of 2020 of base date for the issuance of new shares by employee warrant subscription.</p> <p>Passed the appointment of members of the Fourth Remuneration Committee through the By-election.</p> <p>Passed Chupei AI Industrial Park Investment Construction Project.</p> <p>Passed to ratify the Tariff Guarantee Case of Mega International Commercial Bank.</p> <p>Passed the resolution on the application for comprehensive credit line granted by the transacting banks.</p>
2021.03.18	The 16th Meeting of the 11th Board of Directors	<p>Passed the business report and parent company only and consolidated financial statements of the Company of 2020.</p> <p>Passed the proposal for the distribution of remuneration for employees and directors of 2020.</p> <p>Passed earnings distribution proposal of 2020.</p> <p>Passed "Internal control system effectiveness evaluation" and "internal control system statement" proposal of 2020.</p> <p>Passed the business plan of 2021.</p> <p>Passed the proposal of convening the shareholders' meeting of the Company of 2021.</p> <p>Passed the proposal of election of the twelfth term of directors (including independent directors).</p> <p>Passed Board of Directors of the Company proposes and reviews the list of candidates for the twelfth term of directors (including independent directors).</p> <p>Passed the issues related to shareholder's right to make proposals at the shareholders' meeting.</p> <p>Passed the issues related to acceptance of the candidates proposed by shareholders and directors (including independent directors) at the shareholders' meeting.</p> <p>Passed the proposal for cancellation of the non-competition restriction on the Company's new directors and their representatives.</p> <p>Passed the revision of the Company's financial statement preparation process management.</p> <p>Passed the resolution on the evaluation on the independence of the Company's CPAs.</p> <p>Passed the CPAs change of the Company.</p> <p>Passed the resolution on the application for comprehensive credit line granted by the transacting banks.</p>
2021.05.13	The 17th Meeting of the 11th Board of Directors	<p>Passed the resolution on the base date for the issuance of new shares subscribed by employees by warrants in the 1st quarter of 2021.</p> <p>Passed Chupei AI Intelligence Park Industry Zone I construction budget.</p> <p>Passed the demolition, addition and change of the rear section of the Hsinchu factory area are used for new construction.</p> <p>Passed the revision of the "financial statement preparation process management" internal control system and internal auditing implementation rules.</p> <p>Passed renew of providing endorsement guarantee to Accton Global, Inc., the 100% invested subsidiary of the Company.</p>
2021.06.10	The 18th Meeting of the 11th Board of Directors	<p>Passed the proposal of date and location for convening the shareholders' meeting of the Company of 2021.</p> <p>Passed the appointment of the Corporate Governance Officer.</p> <p>Passed the resolution on the application for short-term credit line granted by the transacting banks.</p>
2021.07.16	The 1st Meeting of the 12th Board of Directors	<p>Passed the election of the Chairman of the Board.</p> <p>Passed the pre-appointment of members of the Fifth Remuneration Committee.</p> <p>Passed the determination of the cash dividend payment reference date.</p>
2021.08.12	The 2nd Meeting of the 12th	<p>Passed the second quarter of 2021 of of base date for the issuance of new shares by employee warrant subscription.</p>

	Board of Directors	Passed the appointment of members of the Fifth Remuneration Committee. Passed the personnel change case.
2021.10.27	The 3rd Meeting of the 12th Board of Directors	Passed Chupei AI Intelligence Park Industry Zone II investment plan reports..
2021.11.11	The 4th Meeting of the 12th Board of Directors	Passed the resolution on the base date for the issuance of new shares subscribed by employees by warrants in the 3rd quarter of 2021. Passed the audit plan for the year of 2022. Passed the donation proposal of 2022. Passed the resolution on the application for comprehensive credit line granted by the transacting banks. Passed the resolution on the application for financing limit granted by CITI Bank. Passed the resolution on the application for comprehensive credit line granted by the transacting banks. Passed the resolution to authorize the Chairman Kuan Xin Investment Corp.(the responsible person, Lin, Meen-Ron) to sign the endorsement guarantee relevant documents due to the change of the Chairman. Passed the resolution to provide an endorsement guarantee to Joy Technology (Shenzhen) Co., Ltd., the Company's 100% investee company.
2021.12.16	The 5th Meeting of the 12th Board of Directors	Passed the business plan of 2022.
2022.03.07	The 1st Interim Meeting of the 12th Board of Director	Passed the appointment of members of the Fifth Remuneration Committee through the By-election.
2022.03.17	The 6th Meeting of the 12th Board of Directors	Passed the resolution on the base date for the issuance of new shares subscribed by employees by warrants in the 4th quarter of 2021. Passed the business report and parent company only and consolidated financial statements of the Company of 2021. Passed the proposal for the distribution of remuneration for employees and directors of 2021. Passed the distribution of earnings for 2021. Passed "Internal control system effectiveness evaluation" and "internal control system statement" proposal of 2021. Passed the amendments of the "Articles of Association." Passed the amendments to the "Rules of Procedure for Shareholders' Meetings." Passed the amendments to the "Corporate Social Responsibility Best Practice Principles." Passed the amendments to the "Procedure for Acquisition or Disposal of Assets." Passed the convention of the 2022 shareholders' meeting. Passed the issues related to shareholder's right to make proposals at the shareholders' meeting were passed. Passed the resolution on the Company's plan to issue new shares with restricted employees' rights. Passed the resolution on the evaluation on the independence of the Company's CPAs. Passed the resolution on the issuance of domestic unsecured convertible bonds with an aggregate principal amount of \$4,000,000 thousand, and the issuance period is three years. Passed the resolution on the application for comprehensive credit line granted by the transacting banks was passed. Passed the resolution on the long-term lease of Nanliao Logistics Park.

(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
Accounting Manager/ Financial Manager	Lin, Meen-Ron	2009.08.28	2021.06.18	Position adjustment

V. Information on CPA Professional Fee:

Name of CPA Firm	Name of CPA	Audit Period	Audit Fees	Non-audit Fees	Total	Remark
Deloitte & Touche	Lin, Cheng-Chih	January/2021 ~ December/2021	8,501,317	2,481,140	10,982,457	Internal adjustment of the CPA firm
	Chung, Ming-Yuan	January/2021 ~ December/2021				

Remarks: Major content of non-audit service fees: Risk analysis project and tax related projects

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

- (I) 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: None.
- (II) 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 : None

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 17, 2022.

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	2021		The year of 2022 up to Mar. 31	
		Number of Increased (Decreased) Shares Held			
Director	Kuan Xin Investment Corp.	—	—	—	—
Chairman of the Board (Note 1)	Kuan Xin Investment Corp. Legal Representative : Lin, Meen-Ron	—	—	—	—
Director (Note 1)	Ting Sing Co., Ltd.	—	—	—	—
Director (Note 1)	Representative of Ting Sing Co., Ltd.: Du, Heng-Yi	—	—	—	—
Director (Note 1)	Huang, Kuo-Hsiu	—	—	—	—
Independent director (Note2)	Huang, Shu-Chieh	—	—	—	—
Independent director (Note2)	Lee, Fa-Yauh	—	—	—	—
Independent director (Note2,5)	Kuo, Ming-Jian	—	—	—	—
Independent director (Note2)	Eizo Kobayashi	—	—	—	—
Independent director (Note2)	Ankur Singla	—	—	—	—
Independent director (Note2)	Avigdor Willenz	—	—	—	—
Director (Note 3)	Kuan Xin Investment Corp.	—	—	—	—
Director (Note 3)	Kuan Xin Investment Corp. Representative : Kuo, Fai-Long,	(661,000)	—	—	—
Independent director (Note4)	Chang, Chih-Ping	—	—	—	—
Independent director (Note4)	Chen, Shu	—	—	—	—
Independent director (Note4)	Lin, Shiou-Ling	—	—	—	—
Independent director (Note4)	Chen, Wei-Zen	—	—	—	—
CEO and General Manager	Edgar Masri	—	—	—	—
Senior Vice President	Yu, Ji-Hsiang	46,000	—	—	—
Senior Vice President	Li, Hsun-te	—	—	—	—
Senior Vice President	Chiang, Ying-Hui	—	—	—	—
CFO(Note 6)	Lin, Meen-Ron	—	—	—	—
Vice President	Liew, Hin-Soon	132,000	—	(18,000)	—
Vice President	Wang, Ching-Te	—	—	—	—
Senior Vice President of R&D	Lee, Kuan-Ze	—	—	—	—
Accounting Manager (Note 7)	Chen, Fang-I	—	—	—	—
Corporate Governance Manager (Note 8)	Lin, Hsing-Hsuan	—	—	—	—

Note1: The legal responsible person of Kuan Xin Investment Corp., Ms. Lin, Meen-Ron, the responsible person of Ting Sing Co., Ltd., Mr. Du, Heng-Yi and Mr. Huang, Kuo-Hsiu were elected as Directors on July 8, 2021.

Note 2: Mr. Huang, Shu-Chieh, Mr. Lee, Fa-Yauh, Mr. Kuo, Ming-Jian, Mr. Eizo Kobayashi, Mr. Ankur Singla, Mr. Avigdor Willenz were elected as Independent Directors on July 8, 2021.

Note 3: The term of Chairman of the responsible person of Kuan Xin Investment Corp., Mr. Kuo, Fai-Long, were expired and relieved on July 8, 2021.

Note 4: The term of Independent Directors of Mr. Chang, Chih-Ping, Mr. Chen, Shuh, Ms. Lin, Shiou-Ling, Mr. Chen, Wei-Zen were expired and relieved on July 8, 2021.

Note 5: Mr. Kuo, Ming-Jian was resigned from Independent Director on December 9, 2021.

Note 6: Ms. Lin, Meen-Ron resigned as the Chief Financial Officer, holding 219,000 shares of the trust that retains the right to use the decision on June 18, 2021.

Note 7: Ms. Chen, Fang-I was appointed as the Accounting Manager on August 12, 2021.

Note 8: Mr. Lin, Hsing-Hsuan was appointed as the Corporate Governance Manager on June 10, 2021.

(II) Transfer of equity: The counterparties of equity transfer are not related parties.

(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	
Jinjiemin Co., Ltd. Chairman: Huang, Kuo-Hsiu	45,113,765	8.06%	—	—	—	—	—	—	
Cathay Life Insurance Co., Ltd Chairman: Huang, Tiao Kuei	21,786,000	3.89%	—	—	—	—	—	—	
Nanshan Life Insurance Co., Ltd Chairman: Chen Tang	15,039,000	2.69%	—	—	—	—	—	—	
Hermes Global Emerging Market Fund subordinate to Hermes Investment Fund Corporation under the custody of HSBC	13,354,000	2.38%	—	—	—	—	—	—	
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	12,214,000	2.18%	—	—	—	—	—	—	
Singapore Government Fund Account under the custody of Citibank	10,656,000	1.90%	—	—	—	—	—	—	
Matthew Pacific Tiger Fund Investment Account under the custody of HSBC	9,243,000	1.65%	—	—	—	—	—	—	
Calvert Emerging Market Fund of Calvert World Values Fund, Inc. entrusted by the business department of Standard Chartered International Commercial Bank	8,324,000	1.49%	—	—	—	—	—	—	
Merrill Lynch Developing Capital Markets Fund Account under the custody of Standard Chartered International Commercial Bank	7,821,000	1.40%	—	—	—	—	—	—	

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

Unit: Shares; %

Name of Investee	Investment by Accton		Investments of Directors, Supervisors, Managers and directly or indirectly controlled businesses		Comprehensive Investment	
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio
Accton Logistics Corporation	1,000	100.00%	0	0.00%	1,000	100.00%
Accton Technology Corporation USA	2,198,510	100.00%	0	0.00%	2,198,510	100.00%
SMC Networks, Inc.	24,149,000	100.00%	0	0.00%	24,149,000	100.00%
Accton Century Holding (BVI) Co. Ltd.	51,973,171	100.00%	0	0.00%	51,973,171	100.00%
Accton Asia Investments Corporation	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	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 Corporation	50,000,000	100.00%	0	0.00%	50,000,000	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%
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	559,920,397 (listed)	320,079,603	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	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	
						capital surplus			
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	332,609,260	—	—

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
						transferred from bonds			
2002.03	10	580,000,000	5,800,000,000	444,702,909	4,447,029,090	Equity certificates transferred from bonds	352,050,260	—	—
2002.08	10	880,000,000	8,800,000,000	568,136,110	5,681,361,100	Capital transferred from surplus reserve Equity certificates transferred from bonds	1,189,108,700 45,223,310	—	TCZYZ No. 0910132765 Document
2002.11	10	880,000,000	8,800,000,000	569,033,533	5,690,335,330	Equity certificates transferred from bonds	8,974,230	—	—
2003.01	10	880,000,000	8,800,000,000	569,043,148	5,690,431,480	Equity certificates transferred from bonds	96,150	—	—
2003.04	10	880,000,000	8,800,000,000	560,743,148	5,607,431,480	Decrease in capital by treasury stock	83,000,000	—	TCZYZ No. 0920104339 Document
2003.05	10	880,000,000	8,800,000,000	535,745,148	5,357,451,480	Decrease in capital by treasury stock	249,980,000	—	TCZYZ No. 0920114266 Document
2003.07	10	880,000,000	8,800,000,000	597,932,528	5,979,325,280	Capital transferred from surplus reserve Capital transferred from capital surplus	405,366,600 216,507,200	—	TCZYZ No. 0920121593 Document
2003.07	10	880,000,000	8,800,000,000	584,585,528	5,845,855,280	Decrease in capital by treasury stock	133,470,000	—	TCZYZ No. 0920129797 Document
2007.01	10	880,000,000	8,800,000,000	547,382,528	5,473,825,280	Decrease in capital by treasury stock	37,203,000	—	2007.01.18 YSZ No. 0960001184 Document
2007.02	10	880,000,000	8,800,000,000	544,585,528	5,445,855,280	Decrease in capital by treasury stock	2,797,000	—	2007.02.16 YSZ No.0960004129 Document
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

Year Month	Issued Price	Authorized Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Equity offset by properties other than cash	Others
								Document
2010.04	10	880,000,000	8,800,000,000	498,924,109	4,989,241,090	Decrease in capital by treasury stock	6,095,000	— 2010.04.07 YSZ No. 0990008413 Document
2010.09	10	880,000,000	8,800,000,000	500,745,109	5,007,451,090	Shares transferred from warrants	18,210,000	— 2010.09.15 YSZ No. 0990027156 Document
2010.11	10	880,000,000	8,800,000,000	502,513,609	5,025,136,090	Shares transferred from warrants	17,685,000	— 2010.11.17 YSZ No. 0990034260 Document
2011.03	10	880,000,000	8,800,000,000	504,181,109	5,041,811,090	Shares transferred from warrants	16,675,000	— 2011.03.23 YSZ No. 1000007497 Document
2011.05	10	880,000,000	8,800,000,000	504,532,609	5,045,326,090	Shares transferred from warrants	3,515,000	— 2011.05.20 YSZ No. 1000014152 Document
2011.08	10	880,000,000	8,800,000,000	507,107,609	5,071,076,090	Shares transferred from warrants	25,750,000	— 2011.08.02 YSZ No. 1000022525 Document
2011.08	10	880,000,000	8,800,000,000	525,258,128	5,252,581,280	Capital transferred from surplus reserve	181,505,190	— 2011.07.04 JGZFF 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

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

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		ZSZ No. 1050014197 Document
2016.08	10	880,000,000	8,800,000,000	538,124,397	5,381,243,970	Shares transferred from warrants	3,690,000	— 2016.09.06 ZSZ No. 1050024923 Document
2016.11	10	880,000,000	8,800,000,000	543,707,897	5,437,078,970	Shares transferred from warrants	55,835,000	— 2016.11.24 ZSZ No. 1050032595 Document
2017.03	10	880,000,000	8,800,000,000	545,442,897	5,454,428,970	Shares transferred from warrants	17,350,000	— 2017.03.31 ZSZ No. 1060008483 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

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	
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
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
2021.05	10	880,000,000	8,800,000,000	559,467,397	5,594,673,970	Shares transferred from warrants	11,000	—	2021.05.27 ZSZ No. 1100015142 Document
2021.08	10	880,000,000	8,800,000,000	559,838,397	5,598,383,970	Shares transferred from warrants	371,000	—	2021.08.23 ZSZ No. 1100024067 Document
2021.12	10	880,000,000	8,800,000,000	559,847,397	5,598,473,970	Shares transferred from warrants	9,000	—	2021.12.01 ZSZ No. 1100035286 Document
2022.03	10	880,000,000	8,800,000,000	559,920,397	5,599,203,970	Shares transferred from warrants	73,000	—	2022.03.31 ZSZ No. 1110009886 Document

3.Information on the shelf registration system: None.

Preferred stock: None

(II) Shareholder Structure:

April 18, 2022

Shareholder Structure	Government Organization	Financial Institution	Other Legal Person	Individual	Foreign Institution and Outsider	Total
Quantity						
Number of People	45	11	280	36,538	949	37,823
Number of Shares Held	7,149,727	44,389,877	60,378,075	66,629,359	381,501,359	560,048,397
Shareholding Ratio (%)	1.28	7.93	10.78	11.90	68.11	100

(III) Dispersion of Equity Ownership

NT\$ 10 per share in denomination on April 18, 2022

Class of Shareholding	Number of Shareholders	Number of Shares Held	Shareholding Ratio (%)
1 to 999	25,055	2,738,700	0.49%
1,000 to 5,000	10,191	18,929,119	3.38%
5,001 to 10,000	1,128	8,023,801	1.43%
10,001 to 15,000	331	3,989,122	0.71%
15,001 to 20,000	164	2,956,514	0.53%
20,001 to 30,000	181	4,423,642	0.79%
30,001 to 40,000	95	3,309,383	0.59%
40,001 to 50,000	65	2,920,767	0.52%
50,001 to 100,000	181	13,148,563	2.35%
100,001 to 200,000	138	19,682,888	3.51%
200,001 to 400,000	92	26,312,042	4.70%
400,001 to 600,000	48	23,730,752	4.24%
600,001 to 800,000	30	21,418,018	3.82%
800,001 to 1,000,000	23	20,515,700	3.66%
Over 1,000,001	101	387,949,386	69.28%
Total	37,823	560,048,397	100%

(IV) List of Major Shareholders:

April 18, 2022

Shares	Number of Shares Held	Shareholding Ratio (%)
Name of Major Shareholder		
1. Jinjiemin Co., Ltd.	45,113,765	8.06%
2. Cathay Life Insurance Co., Ltd	21,786,000	3.89%
3. Nanshan Life Insurance Co., Ltd	15,039,000	2.69%
4. Hermes Global Emerging Market Fund subordinate to Hermes Investment Fund Corporation under the custody of HSBC	13,354,000	2.38%
5. Investment Account of SUNNY RISE INVESTMENT LIMITED under the custody of Bank SinoPac	12,983,664	2.32%
6. The MTX Stable Emerging Market Leader Investment Account of the Peak Tebell Fund entrusted by the business department of Standard Chartered International Commercial Bank	12,214,000	2.18%
7. Singapore Government Fund Account under the custody of Citibank	10,656,000	1.90%
8. Matthew Pacific Tiger Fund Investment Account under the custody of HSBC	9,243,000	1.65%
9. Calvert Emerging Market Fund of Calvert World Values Fund, Inc. entrusted by the business department of Standard Chartered International Commercial Bank	8,324,000	1.49%
10. Merrill Lynch Developing Capital Markets Fund Account under the custody of Standard Chartered International Commercial Bank	7,821,000	1.40%

(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

Items		Year			
		2020	2021	2022 up to March 31	
Market value per share	Maximum	320.50	354.00	279	
	Minimum	137.00	226.00	196	
	Average	215.19	285.96	252.69	
Net worth per share	Before Distribution	25.99	27.89	30.50	
	After Distribution	19.46	Note	—	
EPS	Weighted average number of shares (Thousand shares)		556,352	557,501	557,774
	EPS	Before adjustment	9.07	8.44	2.31
		After adjustment	—	—	—
Dividends per share	Cash dividends		6.4956	Note	—
	Stock grants	Surplus distribution	—	—	—
		Capital surplus distribution	—	—	—
	Accumulated Undistributed Dividends		—	—	—
Analysis of Investment Return	P/E Ratio		23.73	33.88	—
	Price/Dividend Ratio		33.13	Note	—
	Cash dividend yield		3.02%	Note	—

Note: As approved by the Board of Shareholders in the year of 2020, distributed the cash dividend of NT\$6.4956 per share. In 2021, 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 2021, earnings distribution plan approved by the board of directors, the cash dividend of shareholders is NT\$3,359,576,382, accounting for 52.97% 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 2021 was approved by the board of directors on March 17, 2022, 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 16, 2022 is passed.

Earnings Distribution Statement of 2021

Unit: NT\$ Thousand

Items	Amount	Cash Dividends	Stock Dividends
Undistributed earnings at beginning of the period	2,127,703,162	0	0
Add: Remeasurements of defined benefit plans recognized in retained earnings	(1,527,439)		
Add: Disposal of investments in equity instruments at fair value through other comprehensive profit or loss, the accumulated profits and losses directly transferred to retained earnings	3,599,800		
Add: Net profit after tax for the current period	4,705,059,478	0	0
Undistributed earnings for the current period	6,834,835,001		
Less: Provision of statutory surplus reserve	(470,713,184)		
Less: Provision of special surplus reserve	(21,319,756)		
Distributable earnings for the current period	6,342,802,061	0	0
Distribution items:			
Shareholders' Dividend - Cash (NT\$6.0 per share)	3,359,576,382	3,359,576,382	0
Unappropriated retained earnings at the end of period	2,983,225,679	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 2021, 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 17, 2022, the Board of Directors of the Company decided to distribute cash bonus of NT\$ 713,872 thousand to employees and remuneration of NT\$ 40,000 thousand to directors based on the annual surplus of the year 2021.

(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 2021, 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 (2021) Meeting of Board of Shareholders	Difference (NT\$)
Cash dividends to employees	779,607,009	779,607,009	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)

March 31, 2022

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 Depository Receipts (GDRs): None.

V. Issuance of warrants to employees:

(1) Issuance of employee warrants

March 31, 2022

Types	No. 4 Employee Warrants
Effective Date of Declaration	102/12/23
Date of Issuance	103/09/04
Number of Shares Issued	20,000,000 shares
Proportion of issued warrants in total issued shares	3.76%
Subscription Period	2014/09/04~2024/09/03
Performance method	Delivery of New Shares Issued
Subscription restricted period and ratio (%)	The term of the warrants is ten years, during which the warrants shall not be transferred, except for the successors of any deceased shareholders. It will be deemed as waiver of the right to shares if such right is not exercised upon expiration of the ten years. Ratio (%): The warrant subscribers may exercise the right to subscribe shares, based on 50% of the number of warrants granted, after expiration of two years following the grant of the warrants; and warrant subscribers may exercise the right to subscribe shares fully, based on the number of warrants granted, after expiration of three years following the grant of the warrants.
Shares obtained	17,317,000 shares
Amount of subscribed shares	277,936,751
Number of shares not subscribed	1,269,500 shares
Subscription price per share for the subscriber without subscribed shares	13.50
Number of shares not subscribed and its ratio (%) in total issued shares	0.23%
Influence on shareholders	50% right to subscribe shares may be exercised, according to the number of warrants granted, after expiration of two years following the issuance date of the warrants, while, 100% right to subscribe shares may be exercised after expiration of three years following the same, and thus, original shareholder's equity shall be diluted year by year, and their dilution effect is limited.

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

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

March 31, 2022

	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	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	Lin, Meen-Ron										
	Senior Vice President	Yu, Ji-Hsiang										
	Vice President	Liew, Hin-Soon										
	Senior Vice President	Li, Hsun-te	5,172	0.92%	4,602	12.37	56,919	0.82%	570	13.5	7,695	0.10%
	Senior Vice President	Chiang, Ying-Hui										
	Accounting Manager	Chen, Fang-I										
	Corporate Governance Manager	Lin, Hsing-Hsuan										
	Assistant Manager	Huang, Kuo-Hsiu										
Employee	Assistant Manager	Li, Wei-Shuo										
	Special Assistant	Chiu, Kuo-Tai										
	Special Assistant	Kuo, Fai-Long,										
	Senior Assistant Manager	Wei, Chiu-Hsia										
	Special Assistant	Chang, Shih-Ming										
	Senior Assistant Manager	Li, Yu-Yung	5,845	1.04%	5,250	12.41	65,143	0.94%	195	13.5	2,633	0.03%
	Senior Assistant Manager	Li, Fang-Yung										
	Special Assistant	Huang, An-Jye										
	Senior Assistant Manager	Huang, Kuo-Ning										
	Special Assistant	Yang, Chien-Wu										

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 2021

■ Network switch	69%	■ Wireless network equipment	2%
■ Network application equipment	19%	■ Others	4%
■ Network access equipment	12%		

(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 (AI-AOI inspection Intelligent Defect Detection Soft Platform)

- 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 and its equipment, AI training mezzanine/PCIe cards and appliance
- Edge Green Computing Server (Edge Server)
- 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

- New generation artificial intelligence learning calculus card and its equipment, AI training mezzanine/PCIe cards and appliance
- Edge server
- Cyber Security Gateway
- 5G OpenRAN DU Server
- 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
- IoT applications: Smart Applications in Real-Time Cold-Chain, Power usage monitor solution
- Smart Factory in AIoT Turnkey-Service and Environmental Information Visualization System

(II) Industry Overview:

(1) Current status and development of the industry

The COVID-19 pandemic has led to a boom in the Metaverse, 5G, and virtual markets. The Industrial Technology Research Institute (ITRI) research team observes 2022 CES exhibition trends and says that emerging applications are oriented towards the prospect of the Metaverse, and meanwhile, major brands will continue to pursue sustainable production and sustainable consumption.

According to IDC FutureScape: 2022 Worldwide Digital Transformation Predictions indicates that companies and organizations will accelerate digital investment in response to COVID-19 pandemic. It predicts that by 2022 more than half of the global economy will be digitally based or affected by digital transformation and that direct digital transformation investments are accelerating. The compound growth rate will increase from 15.4% in 2019-2024 to 16.5% in 2022-2024. The investment level for 2022-2024 is estimated at US\$6.3 trillion, representing 55% of all ICT investment by the end of 2024.

IDC has pointed out that part of industrial applications of the Metaverse are beginning to take off. The Metaverse is a virtual-reality integration field with accurate and seamless connection to the real world. Realizing the Metaverse requires cloud capacity, edge computing, and powerful edge devices to provide a low-latency, high-bandwidth network to support the connection between the two. Eight items out of these key technologies are still 5 to 10 years away from interoperable applications. As 5G chips are getting matured, ITRI said that it will see Android phones of millimeter-wave mobile, bringing faster and low-latency network experience, in 2022. 5G network infrastructure gradually take shape which accelerates the rise of these fields, such as smart homes, smart wearable devices, smart manufacturing and smart cities.

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

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

Accton integrates upstream wired and wireless LAN chip manufacturers, cooperates with their own R&D team to provide integrated network platform and system, and optimizes network software and hardware for end users. Accton and 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

The market research institution, Dell'Oro Group, indicated that the data center switch market will show double-digit growth in 2022 as long as supply is capable. These factors will catalyze the data center switch expenditures in 2022, including the accelerated adoption of 200/400 Gbps switches by Microsoft and Facebook, the expansion cycle of some hyperscale data centers, and new AI offload capabilities. However, it is estimated that the supply chain crisis will not be improved until the second half of 2022, which is still a risk in this market. The market research institution, Dell'Oro Group, predicts that Google will deploy 800 Gbps switches in 2022, when Microsoft and Meta are about to start increasing shipments of 200/400 Gbps switches. The 800-Gbps optical modules will provide about 25%-30% lower cost per bit and drive the deployment of 800-Gbps switches compared to the two 400-Gbps optical modules.

Internet Service Provider Routers and Switches

Dell'Oro said that the deployment of 400 Gbps routers launched from 2021 is a long-term

equipment upgrade cycle that will accelerate in 2022. The economic recovery will also provide more funds to invest in 400Gbps routers which supporting a wider range of applications. Open routers are expected to account for a larger market ratio of this market, but new technologies are facing increasing competition among existing manufacturers. The ISP routers and switches markets will gradually shift to cloud service providers in the next five years as cloud service providers upgrade to 400Gbps technology and expand network coverages.

Enterprise Campus Networks

Although Wi-Fi 6E products have been launched in mid-2021, supply chain constraints have made the number of products insufficient. Therefore, most manufacturers have turned to using readily available components and also redesigned popular products. Meanwhile, users are asking manufacturers for Wi-Fi 6 products instead of Wi-Fi 6E. In the second half of 2021, the shipment of Wi-Fi products is affected not only in China, but also in other regions due to supply chain constraints. It is expected that the supply chain situation will improve until the end of 2022. Dell'Oro predicts that Wi-Fi 7 products will start shipping as early as in 2023, and users will skip 6E products.

(III) Technology and R&D Overview

- (1) Research and development expenditure and its proportion to revenue in the last two years and as at 31.3.2022

Unit: NT\$ Thousand

Year	R&D Expenditure	Percentage of Operating Revenue (%)
2020	2,163,639	3.97
2021	2,668,321	4.48
March 31, 2022	639,105	4.06

- (1) R&D Achievement

With the gradual increase in the global coverage of the vaccine of the COVID-19 pandemic, countries in Europe and America have gradually lifted the blockade control, and the economic development of various industries that were delayed last year due to the pandemic has also gradually recovered and accelerated recently. Beginning in 2020, COVID-19 is like a catalyst for digital transformation to the contactless trend, such as remote work, distance teaching, video medical consultation, etc., which has led to an increase in the demand for network bandwidth, upgrade of equipment specifications, and to accelerate emerging applications, such as 5G communication, remote monitoring, cloud computing, etc., telecom broadband equipment upgrades, new-generation optical fiber access equipment, WiFi 6 and Wi-Fi 6E wireless broadband related product devices, commercial Netcom equipment and smart IoT application requirements, etc. Accton masters the new generation of network communication technology and accelerated computing technology products, and continues to expand cooperation with global cloud services, telecommunications services, and enterprise customers. It released the world's first 800G switch. In order to meet the needs of new-type telecom network construction, it developed open network switches and routers, 5G base station backhaul routers (Cell Site Router), telecom Open RAN Telecom products such as access network gateways, as well as products such as Wi-Fi 6. It has also entered emerging technology fields such as artificial intelligence, edge computing, co-packaged optical components, etc., and provides cloud services with internationally renowned software partners and open software. Computing solutions, actively participate in the operation and cooperation of open technology development platforms, including many important open technology architecture platforms such as OCP (Open Compute Project), TIP (Telecom Infrastructure Project), ONF (Open Networking Foundation), and participate in the development of open architecture technologies R&D. Under the situation that the COVID-19 pandemic has hit the global economy hard in 2020, Accton continued to grow against the trend with a consolidated revenue of NT\$54.463 billion, profits after-tax of NT\$5.048 billion, and profits after-tax of NT\$9.07 per share, winning the title of Netcom Profit King.

With the increase in demand for 5G, Wi-Fi 6, IoT, artificial intelligence and machine learning, and automotive and home electronics, the adoption of high-speed computing chips and the promotion of the concept of the Metaverse results in data growth accelerated rapidly. In response to the important business trend of anything as a service in the future, it is driving the need for switches with bandwidths above 400G in hyperscale data centers, such as Google, Microsoft and Facebook. Dell'Oro Group predicts that the data center switches will show a double-digit compound annual growth rate between 2021 and 2026. It is predicted that 400Gbps, 800Gbps and 1600Gbps will account for half of the revenue. For the ever-increasing power demands, which can be performed faster, maintained signal integrity, and be well managed, 800G ultra-high-speed network switches are the necessary equipment for the next generation of hyperscale data centers to increase bandwidth capacity. Accton released its first 800G ultra-high-speed network switch in 2021 in order to keep pace with the growing demand for data. This 800G network switch provides a mechanism heat flow design with high conduction and heat dissipation, which is equipped with a powerful heat dissipation system composed of vapor chamber liquid cooling technology (Vapor Chamber) and high-efficiency interface thermal material (TIM), which can effectively respond to ultra-high power density. It can also reduce the temperature of the switch chip in the limited cabinet space, which further enables cloud data center operators to face heat dissipation and energy consumption problems with more efficient and safer management of data center infrastructure. Accton released the world's first 400G switch in 2018 and is now an 800G switch. It has expanded more diversified applications in the system architecture and developed the design of 800G with 400G modular switches to provide the industry's most optimized products and to reduce the cost of data center room deployment, change and management, making it easier for users to set up/plan/apply.

The rise of the data economy has completely changed people's way of life. At the level of life, almost all daily smart devices, homes, cities, and autonomous vehicles rely on all operations in the data center. However, these data centers pay a huge price in various aspects, such as energy, water consumption, carbon footprint and so on. In response to the market demand for high-speed computing and high-density computer room development, "Immersion Cooling" provides a green energy solution with the best energy consumption conversion for future data centers. In 2021, Accton officially launched the network transmission research under the "Immersion Cooling" environment, and started preparations for various related test platforms. Accton's research focuses on the effects of non-conductive fluids on high-speed signals. In the future, if the customer uses the immersion cooling tank to cool the high-speed server cluster in the data, the Accton400G/800G high-speed switch can still maintain normal signal transmission in the same environment, and will not be limited by the cooling tank environment to cause the network signal diminished. Accton does not only deploy technologies with higher transmission speed and higher traffic in advance, but also makes technical investment reserves in advance for different technical application requirements, such as upgrade and expansion, heat dissipation and energy saving, high-speed computing, etc., to create the data centers of more energy-saving and sustainable development.

The pandemic has changed human life patterns and economic activities, and has driven the trend of increasing demand for network bandwidth and upgrading equipment specifications. It has also stimulated the upgrading of emerging applications such as telecom broadband equipment. Today's telecommunications network has developed towards an open management architecture. Accton's deconstructed open network solution can provide telecom operators with a complete 5G telecommunications solution, and the cellular base station backhaul router (DCSG) can realize a new generation of deconstructed open network solutions. Whether it is aggregating data from 5G and previous-generation networks for backhaul, increasing the traffic of the transport network, or deconstructing the core network to increase flexibility, it can provide the best solution from the access to the core network architecture. The deconstructed open network solution can reduce the capital expenditure and operating cost of the overall telecom network construction, and is also designated by the world's top telecom operators to accelerate the deployment of 5G infrastructure to provide new-generation services. In addition, telecom operators have also begun to use the open platform Open White Box to build a new generation of networks. In this way, telecom operators can accelerate the provision of high-quality services through flexible and flexible product portfolios with the maturity of 5G technology and the development of open network architectures rise. Traditional networks are often unable to achieve the level of flexibility required today because they are monopolized by specific suppliers with proprietary architectures. Today, Accton provides 5G telecom solutions that

deconstruct the elements of the network and separate hardware and software to create a single Open White Box for cloud networking. In this way, telecom operators will not be bound by the services of a single provider, and can flexibly choose the solution that best meets their needs. Therefore, Accton has become an important partner of customers in the construction of 5G network infrastructure.

With Wi-Fi 6, future generations of Wi-Fi and the opening of the 6GHz spectrum, Wi-Fi provides an important platform for free internet access in developing economies, forming the key work to bridging the digital divide in rural and remote areas around the world. Although there are still service gaps in global broadband Internet access, for example, terrestrial communication networks cannot meet all networking application scenarios, the application of satellites will be able to make up for the gaps in terrestrial communication networks. The characteristics of "low latency, low radiation, and low cost" of low-orbit satellites allow signals to cover applications such as mountains, suburbs, seas, deserts, and air, which can make up for areas where 5G and ground mobile communications cannot be transmitted. The rapid movement of low-orbit satellites will cause changes in satellite signal coverage, so special antenna technology is required to respond. The phased array antenna beam has the characteristics of fast pointing and adjustable beam width, and can track multiple targets. It can also control the radio beam through the algorithm to change the signal receiving direction, so that the antenna can be in a static or moving state to dynamically track high-speed moving LEO satellites so that the signal can be transmitted smoothly during the switching process. Accton's development and design applied to electronically scanned phased array antennas for ground base stations in 5G millimeter wave and low-orbit satellite communications includes the development and design of radio frequency circuits, fundamental frequency programmable logic gate array chips, and antenna design of beamforming pointing and tracking algorithms. In addition, based on the multi-node wireless network system in the 60GHz frequency band, Terragraph™ uses the phased array antenna to cooperate with the dish antenna reflector and the method of changing the beam angle to improve the antenna gain and transmission distance, provide stable and long-distance point-to-point connection, and greatly reduce the time for users to install positioning. In the 5G era of high transmission rate, large data volume and low latency, the milestone of the last mile has been completed. Radio subsystems that send and receive signals from antennas have been in operation for over 100 years. To improve the performance of wireless communication and radar systems, the need for antenna architectures continues to grow. Accton's self-developed and patent-pending adaptive MIMO smart antenna arrays and 60 GHz wavenumber control antennas optimize the performance of these wireless network systems. Moreover, the radio frequency (RF) R&D team has applied gigabit wireless technology to the modular design, which covers 802.11ax, 802.11ac, 802.11ay, 60GHz millimeter-wave and Bluetooth low energy transmission specifications (Bluetooth Low Energy, BLE) and so on. Accton's new generation of wireless communication technology product solutions will greatly meet all IoT application scenarios.

In order to expand innovation and research and development capabilities, Accton announced in 2021 that it will invest more than \$3 billion in the AI International Intelligent Park in Hsinchu County to establish an AI emerging technology application living park and a new generation of innovative network technology research and development center, and announced investment in AI, 5G, Internet of Things and more emerging technology fields that are brewing and developing. Through the methods of centralization, decentralization, and heterogeneous group learning, the rapid development of AI technology applications, the increase of terminal smart devices, and the variety of smart terminals can make learning, prediction, and action more efficient and effective. Driven by the wave of enterprise digital transformation, more companies are willing to use the power of collective intelligence to collect and activate clustered things or machines to improve production efficiency, integrate internal collaboration, and achieve knowledge management and decision-making purposes. The Accton AI R&D team has developed a PCIe signal switch board to enable smooth data transfer and communication between the AI acceleration module and the network accelerator. It provides users with the ability to transmit information from the PC or Host PC to the AI acceleration module through the QSFP-DD cable for related training and deep learning. Or it can be connected to the network accelerator through a PC, and the huge information can be transmitted to the artificial intelligence acceleration module for larger data transmission, so the computing data volume of the artificial intelligence acceleration module can be increased to the limit. In addition, we will continue to develop a number of emerging artificial intelligence (AI) application technologies such as AI Inference

PCIe Card, Smart NIC, etc. that can offload the burden of servers, improve overall computing efficiency, and enhance server performance to provide deep learning clustering calculation function required by the data center to be utilized in AI calculation of massive data. According to IDC, the AI technology budget expenditures of enterprises of Taiwan will grow from \$287 million in 2021 to \$365 million in 2022 with a growth rate of 27%. The more countries that accept AI applications, the greater the contribution to their GDP. With the continuous leadership of innovative technologies, Accton will deepen and expand the innovative application of AI and artificial intelligence, and lead the market to continue to create new growth momentum.

As more and more devices connect to the cloud, Accton continues to develop new generation of 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. Artificial intelligence (AI) is the core of the development of the Internet of Things (IoT) and Industry 4.0. AIoT combines AI and IoT to provide a more intelligence, smart and networked device network for processing and computing a large amount of data which was impossibly processed by traditional methods in the past. Accton collaborated with the Center for Open Intelligent Connectivity of National Yang Ming Chiao Tung University to promote the educational program of PINS P4+SONiC, an open network software on campus. This program applies AI technology and the virtualization of programmable open network architecture to implement 5G and IoT industrial technology innovation and application services, which will maximize the benefits of industry-university cooperation.

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. 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 NXP ARMv8 processors with high performance, network virtualization, crypto engine and high bandwidth throughput to support NFV services with high performance requirements. In the future, it integrated solution will be 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.

In recent years, Accton's innovation and development speed in the new generation of network equipment products is only fast but not slow. It combines the technologies of its subsidiaries to jointly propose overall solutions for customers, so it is ahead of the industry deployment and can quickly adjust the layout. Edgecore Networks has partnered with Aprecomm, an artificial intelligence (AI) technology company, to launch Wi-Fi artificial intelligence network management value-added services. This service integrates the Aprecomm artificial intelligence Wi-Fi network management engine, VWE, into Edgecore Wi-Fi products and cloud platforms to provide automated network management and deployment through real-time data analysis and artificial intelligence calculation models guidelines. This service can improve the Wi-Fi network experience of end users, and also allow enterprises to invest in and import application services to maximize benefits. In the future, "user experience" will be the key to the success of Wi-Fi. Wi-Fi 6 technology will not only increase speed and bandwidth, but also include more innovative applications. Edgecore's Wi-Fi 6 new generation wireless network series products include a variety of Wi-Fi wireless network base station APs (Access Points). Moreover, it

provides a complete solution from the cloud to the end, including its own ecCLOUD cloud platform and local management Controller solutions, targeting the telecom industry, enterprise users, small and medium-sized enterprises, and users with high-speed, high-density, and high-capacity network convergence requirements. In addition, it also has built-in BLE Bluetooth and Zigbee IoT technologies, which can integrate existing wireless local area network and IoT communication technologies into application solutions in different scenarios, and enable wireless network base stations (Access Point) to become the operation center applying the Internet of Things, and can support OpenMesh technology and OpenRoaming. It achieves the purpose of reducing signal dead zones, provides a more efficient network coverage deployment solution, and can create a business model of cross-network roaming under an open technology architecture. It cooperated with Chunghwa Telecom to complete the proof-of-concept (POC) test of the open broadband access network. In addition, it provides high-speed broadband Internet access and MOD services with Gbps-level network transmission speed on Chunghwa Telecom's open-architecture telecom cloud platform through Edgecore's Virtual Optical Line Terminal (vOLT). In the post-pandemic era, Edgecore officially launched Wi-Fi 6 new generation wireless network series products, which will be able to successfully meet the new type of network management and application services. 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, 2022) : 37
- Number of international patents (up to March 31, 2022) : 90

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 innovation ideas in the process of product development and optimization into proposals and to reward proposals with development potential after going through the evaluation process. In this way, we hope to encourage the Company to produce innovative technologies and effectively manage the Company's intellectual property. In addition, on the basis of the idea proposal, it will adopt appropriate protection methods according to the nature of the innovative idea. For example, patent applications for ideas that meet the patent application standards and have the potential to be introduced into products are protected in the form of patent rights, or innovative ideas that are not suitable for disclosure are managed by means of trade secrets. In this way, the purpose of ensuring that the company's intellectual property can be effectively protected. In order to effectively manage patent cases, Accton manages and controls through its self-developed intellectual property management system and patent management procedures, so that the complicated application progress and status of patent application cases can be accurately grasped For patents under maintenance, it conducts patent evaluations on a regular basis according to the application performance of patented technologies in products and the potential of introducing products, and decides to continue or terminate patent maintenance to ensure the effective management of Accton's patent assets and to maximize benefits. 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

Since Accton was founded in 1988, it has been operating with an "innovative" thinking, adhering to the spirit of "a good Internet that everyone can afford" when the company was founded, which has transformed into the belief that it continues to promote Internet equality today. By participating in innovative technologies and business models of network communication, it has promoted the global network technology transformation in different forms over the years, allowing more people to connect with the world through the network, and allowing network technology innovation to change the lives of more people. Accton will continue to deploy 5G infrastructure in the future, including open architecture related products, open network operating systems and hardware devices, and the application areas include cloud data centers, enterprise network markets, and telecom network markets. Cloud switch continues to upgrade, deep plough 100G/400G/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. In order to expand innovation and research and development capabilities, it announced in 2021 that it will invest more than \$3 billion in the AI International Intelligent Park in Hsinchu County to establish an AI emerging technology application living park and a new generation of innovative network technology research and development center, to actively deploy new fields - artificial intelligence (AI), optical communication, quantum computing, optical platforms, and more emerging technology fields that are brewing. By introducing a number of emerging application technologies, Accton will create a smart technology innovation life field in the post-epidemic era to lay the foundation for the future 6G network. Due to changes in the global geopolitical situation and the uncertainty in the post-pandemic era, Accton pays more attention to how to improve operational efficiency and fully introduces Lifecycle Management (LCM) to speed up product development. It has also established a dedicated engineering task team responsible for planning the diversified layout of the supply chain and manufacturing base. As a leader in open communication technology, Accton will continue to extend the meaning of the Company's logo and slogan, using IP technology to connect the community, in order to facilitate the provision of cost-effective network communication equipment, shorten the gap between urban and rural areas and the global village, and connect people and the world. It allows innovative technology to integrate life and technology into the online world, and is committed to creating a new life of smart technology and creating infinite possibilities.

(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:

Sales Destination \ Year	In 2020(%)	In 2021(%)
Domestic Sales	2	1
Overseas Sales	98	99
A. America	69	60
B. Europe	20	21
C. Asia Pacific region	9	18

(2) Market Share

- The market research firm, Dell'Oro Group, pointed out that in the third quarter of 2021, the revenue of global data center switches has increased by 11% compared with the same period of the previous year, of which Arista and white-brand switch manufacturers accounted for the majority of revenue. Therefore, Arista and white-label switch manufacturers are more comfortable in the face of global supply chain challenges, and are good at taking advantage of opportunities to increase market share. The cumulative shipment of 400Gbps has exceeded 3 million ports, and most of the stable demand comes from Google and Amazon. Microsoft has begun to deploy 400Gbps switches in the third quarter of 2021. Huawei, Star-Net Ruijie and Juniper all had double-digit revenue growth. As reported by the International Data Information (IDC) agency, regarding Ethernet switches in the third quarter of 2021, including non-data center switches, Cisco (Cisco) accounted for 45.4% of the global total switch revenue market, Huawei (Huawei) 10.7%, Arista Networks 7.3%, H3C 6.2%, HPE 5.8%, Juniper 3.2%.
- In the third quarter of 2021, the global ISP router and switch market was affected by the supply chain impact, which led to stagnant revenue growth. However, the demand for upgrading the backbone network and 5G transmission network remained strong. According

to Dell'Oro, ISPs are transitioning to new network architectures, and during the transition period, the increased demand for 400Gbps systems and edge routers has created the network capacity needed to achieve the transition. During the first three quarters of 2021, North America experienced double-digit revenue growth outpacing other regions. The vendor rankings for the first three quarters of the year were Cisco, Huawei, Nokia, Juniper and ZTE.

- c. According to Dell'Oro research, cloud-managed Wi-Fi wireless base stations stagnated in 2021 after several years of growth. Although Wi-Fi 6 orders have exploded, supply chain constraints have led to out-of-stock sales, affecting the wireless local area network market, which has greatly affected several manufacturers in the United States. Sales in the third quarter of about half of the vendors in the market were lower than that of in the second quarter, but Huawei took the opportunity to launch a two-week fast-shipping promotion in Europe to sell Wi-Fi 6 and Ethernet switches. Also, in the third quarter, Wi-Fi 6 products gained market share as manufacturers passed on high shipping costs, resulting in higher average selling price

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

a. Data center switch

Dell'Oro Group predicts that the data center switches will show a double-digit compound annual growth rate between 2021 and 2026. It is predicted that 400Gbps, 800Gbps and 1600Gbps will account for half of the revenue. The COVID-19 pandemic has undoubtedly accelerated digital transformation and driven the growth of the data center switch market. It is estimated that around 2026, cloud service providers will contribute more than half of the investment in this market, continuing to move towards the use of 400Gbps, 800Gbps and 1600Gbps speeds. Switches in the non-cloud domain lag behind the cloud domain by at least two intervals of speed upgrade cycles. The advent of higher-speed optics and higher-speed SerDes will lead the Ethernet standard and drive the use of higher-speed switches. Shipments of co-packaged optics will start to rise sharply towards the end of the forecast period, but pluggable optics will continue to dominate.

b. Internet Service Provider Routers and Switches

According to Dell'Oro estimates, the global ISP router and switch market will generate \$76 billion in revenue over the next five years. The introduction of 400Gbps routing technology will bring significant growth to this market. Moreover, routers deployed in 5G mobile network infrastructure will continue to drive market growth in the next five years.

c. Enterprise Wireless LAN

Dell'Oro has raised its forecast for the enterprise and wireless local area network market due to the many recent technological pushes enacted by the U.S. Government. Over the next five years, \$45 billion to \$50 billion will be invested in enterprise-grade Wi-Fi devices and artificial intelligence applications.

d. Campus and enterprise network switches

According to Dell'Oro, expenditures on campus/enterprise switches will exceed \$100 billion over the next five years. In 2026, Multi-gigabit automatic transmission switches and multi-gigabit switches (2.5/5/10Gbps) will account for 20% of the sales.

e. Intelligent network card

According to Dell'Oro's forecast, the smart NIC market will grow up to 1.6 billion US dollars by 2026, and the market outside the four major US cloud service providers (Amazon, Google, Meta and Microsoft) will account for 28%.

(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.

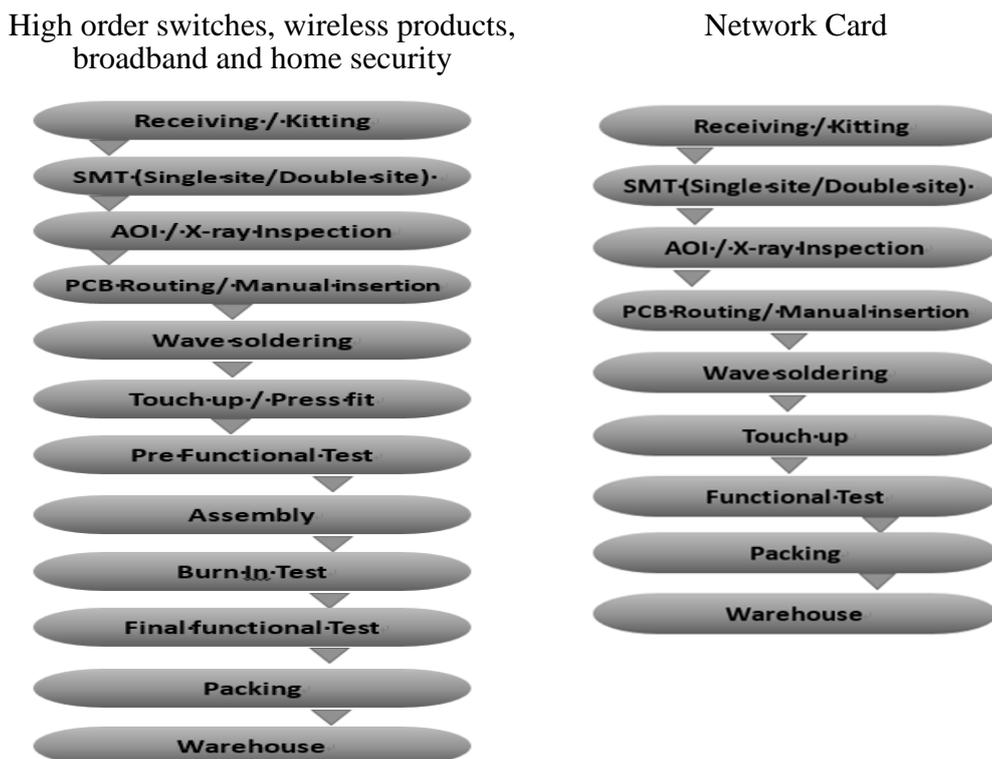
h. mmWave Solutions

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



(III) Supply of Major Raw Materials

Regarding the global economy, due to the continuation of last year's pandemic, the Omicron variant pandemic, geopolitical tensions and technological competition between China and the United States still bring many shocks, bring many uncertainties, and may also inhibit the growth of supply, for example, it makes the severe shortage of supply of critical components continued. Moreover, it has also contributed to the remote economy changing the new normal lifestyle, such as remote work, remote learning and remote consumption...etc.

In addition, in response to the ongoing U.S. tariff policy, Accton has continued to increase its production capacity in Taiwan to cope with the increase in orders, adding a total of 10 SMT production lines and 22 assembly and packaging production lines in Taiwan from 2019 to 2021.

With the continuous increase in the vaccination rate of COVID-19, the market expects that the global economic recovery can be expected. Moreover, Accton can provide 12 to 18 months of forecast demand to long-term partners, major chip manufacturers and major component manufacturers, and can also have strategic or cooperative agreements with suppliers when necessary. Therefore, Accton has strong bargaining and management capabilities in terms of component supply, and the above-mentioned impact is limited. Besides, for the main components, in addition to maintaining the original supplier, there are at least 2 suppliers who can cooperate with the delivery to ensure mass production.

1. Raw materials continue to be asked to fully 100% comply with the Restriction of Hazardous Substances Directive issued by the European Union. In order to ensure that materials and components can meet environmental protection requirements, Accton conducts regular audits and sampling tests for its suppliers, and replaces unsuitable suppliers. And a supplier conference is held every year (suspended due to the COVID-19 pandemic in 2021) to announce green product trends and regulatory requirements for suppliers, and to further strengthen suppliers' emphasis on environmental protection requirements. Accton's approach is to do a good job of source management to reduce risk. The improvement of global warming is an extremely important issue for the environment, and Accton works together with suppliers to contribute to the earth.
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 with continuous optimization 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 continuously 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. Smart and automated equipment is used to optimize the process from design to manufacturing, including the use of the most advanced manufacturing equipment, the use of Kanban management, monitoring systems, analysis centers, training centers, etc. to improve operational flexibility.
5. 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.
6. Continuous introduction of Oracle Agile PLM system - Product Lifecycle Management system.

(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

2020				2021				The current year up to March 31,2022			
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	4,863,090	9.5%	None	A	5,848,186	11.6%	None	A	2,051,934	15.0%	None
Others	46,394,258	90.5%	None	Others	44,735,781	88.4%	None	Others	11,674,095	85.0%	None
Net sales	51,257,348	100%		Net sales	50,583,967	100.0%		Net sales	13,726,029	100.0%	

(2) Information of Main Sellers

Unit: NT\$ Thousand

2020				2021				The current year up to March 31,2022			
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	7,395,202	14%	None	A	9,784,471	16%	None	A	3,853,768	25%	None
B	6,970,414	13%	None	B	7,158,540	12%	None	B	1,879,607	12%	None
C	6,408,805	12%	None	C	6,446,615	11%	None	C	1,759,861	11%	None
D	6,206,803	11%	None	D	5,894,293	10%	None	D	1,708,826	11%	None
Others	27,481,648	50%	None	Others	30,314,762	51%	None	Others	6,527,499	41%	None
Net Sales	54,462,872	100%		Net Sales	59,598,681	100%		Net Sales	15,729,561	100%	

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

Unit:Thousand/Pcs(EA)

Year Capacity and Output Value Main Commodities (or Type)	2020			2021		
	Capacity	Output	Output Value	Capacity	Output	Output Value
Network switch	3,649,935	3,441,045	30,808,148	2,999,629	2,892,167	30,382,028
Network application equipment	2,558,953	2,358,405	6,727,738	3,642,287	3,461,999	10,676,960
Network access equipment	851,894	807,415	3,629,526	551,785	529,402	5,163,746
Wireless network equipment	787,091	743,947	1,049,913	572,846	553,760	792,459
Others	—	—	26,525	—	—	47,528
Total	7,847,873	7,350,812	42,241,850	7,766,547	7,437,328	47,062,721

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

Unit:Thousand/Pcs(EA)

Year Sales Volume & Amount Main Commodities (or Type)	2020				2021			
	Domestic Sales		Overseas Sales		Domestic Sales		Overseas Sales	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Network switch	10,364	74,723	2,595,141	35,464,485	2,942	18,020	2,894,312	37,485,988
Network application equipment	2,382	1,641	2,318,520	7,674,514	772	5,720	3,418,919	11,487,553
Network access equipment	—	—	799,114	5,120,019	13,836	71,671	537,923	7,292,891
Wireless network equipment	8,155	14,192	735,607	1,290,785	11,944	7,605	527,320	954,395
Others	—	28,271	—	1,794,242	—	81,897	—	2,192,941
Total	20,901	118,827	6,448,382	54,344,045	29,494	184,913	7,378,474	59,413,768

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

Year		2020	2021	The current year up to March 31,2022
Number of Employees	Manager or above	441	343	346
	Engineer	979	1,199	1,222
	Operator	1,447	1,413	1,405
Total		2,867	2,955	2,973
Average Age		36.30	36.99	37.03
Average Length of Service		4.62	5.26	5.40
Ratio of Academic Degree	Doctors	0.17	0.2	0.17
	Masters	17.20	17.87	18.33
	Bachelor	41.16	42.40	42.31
	College	20.23	21.25	20.89
	High school	18.24	15.87	15.88
	Below Senior High School	3.00	2.40	2.42

IV. Environment Expenditures

(I) The total amount of losses (including compensation) and penalties incurred due to environment pollution in 2021 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	2020	2021
Annual CO2 Emission	31,647 metric tons	42,026 metric tons
Explanation: The Company implements the greenhouse gas reduction every year, the major manufacturing area increased in the year 2021 compared with the year 2020, mainly due to the growth 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 2011, the main production bases, including Hsinchu No. 1 Factory, Hsinchu No. 2 Factory, and Zhunan Factory, had a total output of 1,541 metric tons of industrial waste, and a total of 1,189 metric tons of recyclable waste, with a recycling rate of 77.16%; The Company strives to improve the recycling rate and adheres to its commitment to "continuously promote 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 in July 2019: It has been verified in the 2015 revision and obtained the revised certificate certificate which is valid from 2020-07-20 to 2022-07-10; Perform external verification of periodic checking every year according to the procedures.
2. The Company has accepted the certification of Bureau Veritas, and completed the organizational greenhouse gas checking management system ISO 14064-1 for 2020 in July 2021: Verified in 2018 and obtained the certification statement; Perform external verification of periodic checking every year according to the procedures.

V. Labor Relations

(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, educational scholarships for dependent children, 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, Acctcon talk and festivals and other activities.
- (3) For considering employee's needs for caring their children, the company established the first nursery and baby care center for the infants and young children from 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, Acctcon 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 - "Acctcon 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 2021, relevant training for at least

11 projects were arranged, and the completion rate was 100%, please refer to page 36 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), Accton Assistant Line@ 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. Cyber Security Management:

(I) It describes the cyber security risk management framework, cyber security policies, specific management plans, and resources invested in cyber security management.

Organizational Structure of Information Security Promotion Committee

- In 2016, the Information Security Promotion Committee was established to maintain the normal operation of information security management system.

- In 2020, it established a full-time information security management organization - Information Security Division.
- In 2021, it has continued to expand the recruitment of information security talents and improve the company's information security protection capabilities to reduce the impact of major information security incidents on the company and customers.



The Company has a "Information Security Risk Management Procedure" in place. The regular assessment of risk items on a yearly basis includes, to confirm whether various control measures are implemented, to confirm whether the organization has new or changed assets and assign appropriate asset values, to confirm whether new threats and weaknesses are generated, and to determine the possibility of threats using weaknesses to generate risks in each information asset. It effectively identifies and controls the Company's various information security risks and risk treatment and follow-up improvement measures, in order to reduce the risk to an acceptable level and ensure smooth business operations.

Information Security Policies:

- 1.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.
- 2.Employees shall perform work within proper scope, and only may be granted with the authority and information necessary for the completion of their work.
- 3.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.
- 4.Continuous management mechanism shall be formulated and regular test and training shall be conducted to maintain its applicability.
- 5.The measures taken by Accton Group in respect of information security shall comply with the requirements specified in laws and Accton Group's information security policies; Formulation of and modification to all information security regulations or procedures shall follow and comply with information security management systems.

Information Security Targets:

- 1.The requirements specified in laws and regulations, the orders of competent authorities, the terms of the contracts signed with customers or the requirements for professional duties shall be met.
- 2.Customer information shall be protected and kept to prevent intentional improper and unlawful use.
- 3.Continuity and timeliness of rendering services shall be ensured.

4. Accuracy and completeness of the information provided shall be ensured.
5. In case of damage occurred to the rights and interests of related (interested) parties due to information security accident, response shall be made and it shall be handled appropriately.

2021 Goals	2021 Actual Performance	Short term goals (2022-2023)	Medium and long term goals (2024-2026)
<ul style="list-style-type: none"> ➤ It imported the ISO28000 Supply Chain Security Management System (Accton). ➤ It continued to confirm the effectiveness of the ISO 27001 Information Security Management System and has passed a reassessment in 2021 (Accton). ➤ It continued to confirm the validity of the AEO Quality Enterprise Certification (Joy Technology). 	<ul style="list-style-type: none"> ➤ It passed the certification audit of ISO28000 supply chain security (Accton). ➤ It passed ISO27001 Information Security Management System Reassessment in 2021 (Accton). ➤ It passed the validity of AEO Quality Enterprise Certification (Joy Technology). ➤ It does not have any litigation records for breaching confidential client information, nor has it received any complaints. 	<ul style="list-style-type: none"> ➤ Due to the strengthening of information security protection capabilities, the number of incidents that impacted operations due to hacker attacks or virus infections was 0. 	<ul style="list-style-type: none"> ➤ Accton's violation of customer personal data protection or the loss of customer data caused a third party or competent authority to complain to the Company, and the number of complaints that led to judicial action was 0. ➤ It continues to validate the effectiveness of ISO 27001 Information Security Management Systems (Accton).

Specific measures:

Accton Technology Corporation passed the international standard certification of CNS 27001 in 2016: 2014 (ISO/IEC 27001: 2013) International standard certification, and the continuous effectiveness verification of information security policies and controls was completed in 2021, reaching the information security management process in line with international information security standards.

Multilevel information security protection:

Network security: It introduces advanced technology and strengthens the management and control of firewalls and local networks to prevent non-compliant devices from connecting to the Company's intranet.

About Application Security: It imports third-party information security companies to conduct website penetration testing, and also performs vulnerability improvement to reduce the risk of being attacked.

Device security: It imports endpoint protection mechanisms, and performs fully automated computer scans, system and software updates and vulnerability management.

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.

Accton passed the audit of the ISO28000 third-party notary of supply chain security in December 2021. ISO 28000 is a key certification program for ensuring supply chain security and is one of the counter-terrorism security certifications commonly required for export to the United States as well. It also assures our customers and other stakeholders that controls are in place to mitigate supply chain security risks and to protect personal safety and the safety of goods and services.

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 testing and information security awareness promotion courses each year, including the contents such as social engineering phishing letters and malicious websites, commercial fraud prevention, ransomware, information security policies and related management practices. In addition, we invited external information security consultants to provide lectures to employees from time to time and use education of real cases and information security news to enhance employees' information security awareness. They help employees understand that information security must be implemented in work and daily lives and that it is an indispensable part of the Company's operations.

Cyber training courses		Number of attendance	Hours of Education
Accton new recruit cyber security training	In 2021, new employees received cyber security training courses	162	1.00
JoyTech new recruit cyber security training		357	1.50
Accton trade secrets	In 2021, employees on active duty received trade secrets protection courses	2,093	0.25
Accton supervisors cyber security training	In 2021, supervisors on active duty completed annual cyber security physical education and training courses, and the important content includes: Internet of Things (IoT) Security	103	2.00
Cyber training courses		Practice time	Number of attendance
Accton social engineering	In 2021, 2 email social engineering phishing walkthroughs were performed, and more than 2,500 people practiced.	Apr-21	1,959
		Oct-21	1,980
Joytech social engineering		Apr-21	644
		Oct-21	607

(II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: As of now since 2021, there has been no loss due to major cyber security incidents.

VII. 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) Consolidated Information

1. Condensed Balance Sheet Unit: NT\$ Thousand

Year Items		Financial Information of the Most Recent Five Years					Financial Information of Current Year as of Mar. 31, 2022
		2017	2018	2019	2020	2021	
Current Assets		17,444,289	20,873,566	27,048,534	28,440,301	31,782,233	32,692,885
Property, Plant and Equipment		866,905	966,604	1,324,280	1,502,317	1,487,456	1,442,170
Intangible Assets		36,477	34,402	53,527	74,442	107,351	108,401
Other Assets		399,347	503,755	1,094,746	1,105,909	1,644,329	2,137,537
Total Assets		18,747,018	22,378,327	29,521,087	31,122,969	35,021,369	36,380,993
Current Liabilities	Before Distribution	9,068,148	12,068,256	15,237,848	14,831,457	17,643,456	17,179,875
	After Distribution	11,367,805	14,298,940	18,700,581	18,467,995	Not distributed yet	Not distributed yet
Non-current Liabilities		30,289	31,475	1,480,262	1,808,439	1,824,962	2,185,946
Total liabilities	Before Distribution	9,098,437	12,099,731	16,718,110	16,639,896	19,468,418	19,365,821
	After Distribution	11,398,094	14,330,415	20,180,843	20,276,434	Not distributed yet	Not distributed yet
Equity Attributable to Owners of Parent Companies		9,641,807	10,271,902	12,800,387	14,480,340	15,552,951	17,015,172
Share Capital		5,544,949	5,575,899	5,580,514	5,594,564	5,599,204	5,600,484
Capital Reserve		776,739	795,148	805,715	824,883	843,580	844,028
Retained Earnings	Before Distribution	3,606,245	4,259,345	7,003,401	8,585,113	9,655,707	10,942,920
	After Distribution	1,306,588	2,028,661	3,540,668	4,948,575	Not distributed yet	Not distributed yet
Other Equity		(235,127)	(307,491)	(538,244)	(473,221)	(494,541)	(321,261)
Treasury Stock		(50,999)	(50,999)	(50,999)	(50,999)	(50,999)	(50,999)
Non-controlling Equity		6,774	6,694	2,590	2,733	—	—
Total Equity	Before Distribution	9,648,581	10,278,596	12,802,977	14,483,073	15,552,951	17,015,172
	After Distribution	7,348,924	8,047,912	9,340,244	10,846,535	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 2021.

2. Condensed Comprehensive Income Statement

Unit: NT\$1,000

Year Items	Financial Information of the Most Recent Five Years					Financial Information of Current Year as of Mar. 31, 2022
	2017	2018	2019	2020	2021	
Operating Revenue	36,446,757	43,092,155	55,401,047	54,462,872	59,598,681	15,729,561
Gross Profit	7,186,035	7,780,097	10,998,762	11,554,062	11,344,596	2,980,746
Operating Income (Loss)	3,254,205	3,472,708	6,039,983	6,402,663	5,440,726	1,509,722
Non-operating Income and Expenses	(16,127)	225,031	89,662	(189,768)	290,425	81,767
Net Profit Before Tax	3,238,078	3,697,739	6,129,645	6,212,895	5,731,151	1,591,489
Current Net Profit from Continuing Operations	2,554,529	2,952,181	4,949,572	5,048,640	4,705,058	1,287,213
Loss on Discontinued Operations	—	—	—	—	—	—
Net Profit (Loss) for the Period	2,554,529	2,952,181	4,949,572	5,048,640	4,705,058	1,287,213
Other Comprehensive Income (Net Value After Tax) for the Period	(177,759)	(74,110)	(209,689)	60,972	(19,247)	173,280
Total Comprehensive Income for the Period	2,376,770	2,878,071	4,739,883	5,109,612	4,685,811	1,460,493
Net Profit Attributable to Owners of Parent Companies	2,559,307	2,952,449	4,950,495	5,048,353	4,705,059	1,287,213
Net profit Attributable to Non-controlling Interests	(4,778)	(268)	(923)	287	(1)	—
Total Comprehensive Income Attributable to Owners of Parent Companies	2,382,354	2,878,151	4,743,987	5,109,469	4,685,812	1,460,493
Total Comprehensive Income Attributable to Non-controlling Interests	(5,584)	(80)	(4,104)	143	(1)	—
Earnings Per Share	4.68	5.33	8.91	9.07	8.44	2.31

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 2021.

(II) Individual Information

1. Condensed Balance Sheet

Unit: NT\$1,000

Year Items	Financial Information of the Most Recent Five Years					
	2017	2018	2019	2020	2021	
Current Assets	13,071,113	16,321,680	22,132,291	24,312,700	23,668,473	
Property, Plant and Equipment	405,538	448,783	894,509	1,132,928	1,104,885	
Intangible Assets	33,969	32,385	49,263	70,933	82,552	
Other Assets	6,284,926	6,233,656	7,096,306	6,964,412	7,837,256	
Total Assets	19,795,546	23,036,504	30,172,369	32,480,973	32,693,166	
Current Liabilities	Before Distribution	10,126,860	12,736,445	15,945,706	16,380,230	15,500,000
	After Distribution	12,426,517	14,967,129	19,408,439	20,016,768	Not distributed yet
Non-current Liabilities	26,879	28,157	1,426,276	1,620,403	1,640,215	
Total liabilities	Before Distribution	10,153,739	12,764,602	17,371,982	18,000,633	17,140,215
	After Distribution	12,453,396	14,995,286	20,834,715	21,637,171	Not distributed yet
Share Capital	5,544,949	5,575,899	5,580,514	5,594,564	5,599,204	
Capital Reserve	776,739	795,148	805,715	824,883	843,580	
Retained Earnings	Before Distribution	3,606,245	4,259,345	7,003,401	8,585,113	9,655,707
	After Distribution	1,306,588	2,028,661	3,540,668	4,948,575	Not distributed yet
Other Equity	(235,127)	(307,491)	(538,244)	(473,221)	(494,541)	
Treasury Stock	(50,999)	(50,999)	(50,999)	(50,999)	(50,999)	
Total Equity	Before Distribution	9,641,807	10,271,902	12,800,387	14,480,340	15,552,951
	After Distribution	7,342,150	8,041,218	9,337,654	10,843,802	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 2021.

2. Condensed Comprehensive Income Statement

Unit: NT\$1,000

Annual Items	Financial Information of the Most Recent Five Years				
	2017	2018	2019	2020	2021
Operating Revenue	34,024,675	41,218,729	49,953,689	51,270,498	49,319,186
Gross Profit	4,900,916	5,500,909	8,242,831	9,466,769	8,988,218
Operating Income (Loss)	2,186,698	2,391,699	4,604,977	5,746,084	4,848,193
Non-operating Income and Expenses	700,451	966,940	1,196,553	359,149	743,466
Net Profit Before Tax	2,887,149	3,358,639	5,801,530	6,105,233	5,591,659
Current Net Profit from Continuing Operations	2,559,307	2,952,449	4,950,495	5,048,353	4,705,059
Loss on Discontinued Operations	—	—	—	—	—
Net Profit (Loss) for the Period	2,559,307	2,952,449	4,950,495	5,048,353	4,705,059
Other Comprehensive Income (Net Value After Tax) for the Period	(176,953)	(74,298)	(206,425)	61,116	(19,247)
Total Comprehensive Income for the Period	2,382,354	2,878,151	4,743,987	5,109,469	4,685,812
Earnings Per Share	4.68	5.33	8.91	9.07	8.44

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 2021.

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

Annual	Accounting Firm	Name of CPA	Audit 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
2021	Deloitte & Touche	Lin, Cheng-Chih Chung, Ming-Yuan	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, 2022
		2017	2018	2019	2020	2021	
Financial structure (%)	Debt Ratio	48.53	54.07	56.63	53.47	55.59	53.23
	Ratio of long-term funds to the property, plant and equipment Ratio	1,112.99	1,063.37	1,036.31	1,041.49	1,113.07	1,244.72
Debt service ability %	Current Ratio	192.37	172.96	177.51	191.76	180.14	190.30
	Quick Ratio	126.29	106.70	118.94	134.13	103.85	104.64
	Interest Coverage Ratio	55,829.93	1,311.33	336.17	164.09	136.21	110.20
Operating Ability	Receivables Turnover Ratio (Times)	7.10	6.12	7.41	6.89	6.22	6.11
	Average Collection Days	51.41	59.64	49.27	52.97	58.68	59.73
	Inventory Turnover Ratio (Times)	6.25	5.20	5.37	5.08	4.50	3.67
	Payables Turnover Ratio (Times)	4.64	4.69	4.75	4.62	4.78	4.60
	Average Inventory Turnover Days	58.40	70.19	67.95	71.85	81.11	99.45
	Property, Plant and Equipment Turnover Ratio (Times)	40.79	47.01	48.37	38.54	39.87	42.95
	Total Asset Turnover Ratio (Times)	2.01	2.10	2.13	1.80	1.80	1.76
Profitability	Return on Assets (%)	14.12	14.37	19.13	16.75	14.33	14.55
	Return on Equity (%)	27.69	29.63	42.90	37.00	31.33	31.62
	Net Profit Before Tax to Paid-up Capital Ratio (%)	58.40	66.32	109.84	111.05	102.36	113.67
	Net Profit Ratio (%)	7.02	6.85	8.94	9.27	7.89	8.18
	Earnings per share (NT\$)	4.68	5.33	8.91	9.07	8.44	2.31
Cash Flow	Cash Flow Ratio (%)	(11.78)	17.03	56.51	23.41	7.75	(0.43)
	Cash Flow Adequacy Ratio (%)	41.76	34.46	51.81	35.84	23.99	27.15
	Cash Flow Reinvestment Ratio (%)	(22.89)	(1.91)	37.63	0.12	(10.92)	(0.33)
Leverage	Operating Leverage	2.07	2.13	1.83	1.89	2.14	2.10
	Financial Leverage	1.00	1.00	1.00	1.01	1.01	1.01
<p>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%)</p> <p>1. Decrease in quick ratio: Due to the increase in inventories.</p> <p>2. Decrease in Cash flow ratio, cash flow adequacy ratio and cash flow reinvestment ratio: Due to the increase in accounts receivable and inventory so that the cash inflow decreased.</p>							

2. Individual Financial Analysis Based on International Financial Reporting Standards

Annual Analysis Items		Financial Analysis for the Most Recent Five Years				
		2017	2018	2019	2020	2021
Financial Structure (%)	Debt Ratio	51.29	55.41	57.58	55.42	52.43
	Ratio of long-term funds to the property, plant and equipment ratio	2,377.53	2,288.83	1,533.92	1,380.83	1,498.47
Debt service Ability %	Current Ratio	129.07	128.15	138.80	148.43	152.70
	Quick Ratio	98.94	98.51	106.38	114.37	85.87
	Interest coverage ratio	49,779.43	1,192.85	440.08	214.21	179.74
Operating Ability	Receivables Turnover Ratio (Times)	6.20	5.45	5.88	5.47	4.86
	Average Collection Days	58.89	66.99	62.09	66.77	75.10
	Inventory Turnover Ratio (Times)	12.54	10.65	9.58	7.93	5.20
	Payables Turnover Ratio (Times)	3.49	3.73	3.77	3.66	3.80
	Average Inventory Turnover Days	29.11	34.26	38.09	46.05	70.19
	Property, Plant and Equipment Turnover Ratio (Times)	85.67	96.49	74.38	50.58	44.08
	Total Assets Turnover Ratio (Times)	1.78	1.92	1.88	1.64	1.51
Profitability	Return on Assets (%)	13.35	13.80	18.65	16.19	14.52
	Return on Equity (%)	27.74	29.65	42.91	37.01	31.33
	Net Profit Before Tax to Paid-up Capital Ratio (%)	52.07	60.23	103.96	109.13	99.87
	Net Profit Ratio (%)	7.52	7.16	9.91	9.85	9.54
	Earnings Per Share (NT\$)	4.68	5.33	8.91	9.07	8.44
Cash Flow	Cash Flow Ratio (%)	3.14	16.19	46.99	18.26	0.62
	Cash Flow Adequacy Ratio (%)	45.49	44.41	54.71	36.55	24.48
	Cash Flow Reinvestment Ratio (%)	(12.96)	(2.10)	34.31	(2.70)	(18.75)
Leverage	Operating Leverage	1.92	1.97	1.65	1.70	1.81
	Financial Leverage	1.00	1.00	1.00	1.01	1.01
<p>Explanation:</p> <p>Reasons for the changes in various financial ratios in the most recent two years (analysis is not required for the changes less than 20%)</p> <ol style="list-style-type: none"> 1. Decrease in quick ratio: Due to the increase in inventories. 2. Decrease in inventory turnover ratio and increase in average days in sales: Due to the increase in inventories. 3. Decrease in Cash flow ratio, cash flow adequacy ratio and cash flow reinvestment ratio: Due to the increase in accounts receivable and inventory so that the cash inflow decreased. 						

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

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

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

1. Financial Structure

(1) Debt Ratio = Total Liabilities / Total Assets

(2) Long-term Capital to Property, Plant and Equipment Ratio = (Total Equity + Non-current Liabilities) / Net Property, Plant and Equipment

2. Debt-paying Ability

(1) Current Ratio = Current Assets / Current Liabilities

(2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities

(3) Interest Coverage Ratio = Net Profit Before Tax and Interest / Interest Expenses.

3. Operating Ability

(1) Receivables (including Accounts Receivable and Notes Receivable resulting from business operations) Turnover Ratio = Net Sales / Average Receivables (including Accounts Receivable and Notes Receivable resulting from business operations) of Periods

(2) Average Collection Days = 365 / Receivables Turnover Ratio

(3) Inventory Turnover Ratio = Cost of Sales / Average Inventory

(4) Payables Turnover (including Accounts Payable and Notes Payable resulting from business operations) Ratio = Cost of Sales / Average Payables (including Accounts Payable and Notes Payable resulting from business operations) of Periods

(5) Average Inventory Turnover Days = 365 / Inventory Turnover Ratio

(6) Property, Plant, and Equipment Turnover Ratio = Net Sales / Average Net Property, Plant, and Equipment

(7) Total Asset Turnover Ratio = Net Sales / Average Total Assets

4. Profitability

(1) Return on Assets (ROA) = [Post-tax Profit or Loss + Interest Expenses × (1 - Tax Rate)] / Average Total Assets

(2) Return on Equity = Post-tax Profit or Loss / Average Total Equity

(3) Net Profit Margin = Post-tax Profit or Loss / Net Sales

(4) Earnings Per Share = (Income Attributable to Owners of Parent Companies – Preference Dividend) / Weighted Average of Outstanding Shares (Note 4)

5. Cash Flow

(1) Cash Flow Ratio = Net Cash Flow from Operating Activities / Current Liabilities

(2) Net Cash Flow Adequacy Ratio = Net Cash Flow from Operating Activities of the Most Recent Five Years / (Capital Expenditures + Inventory Increase + Cash Dividend) of the Most Recent Five Years

(3) Cash Reinvestment Ratio = (Net Cash Flow from Operating Activities – Cash Dividend) / (Gross Property, Plant and Equipment + Long-term Investment + Other Non-current Assets + Operating Capital). (Note 5)

6. Leverage:

(1) Operating Leverage = (Net Operating Revenue - Variable Operating Costs and Expenses) / Operating Income (Note 6).

(2) Financial Leverage = Operating Income / (Operating Income - Interest Expenses).

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

1. It shall subject to the Weighted Average Number of Ordinary Shares, instead of being based on the number of shares issued at the end of the year.

2. For capital increase by cash or transaction of treasury stock, its flowing period shall be considered for calculation of the Weighted Average Number of Shares

3. For capital transferred from surplus reserve or capital transferred from capital surplus, adjustment shall be made according to the ratio of increase for calculation of the Earnings Per Share of previous year and semi-year, without considering the issuance period of the increased capital.

4. If preferred stocks are non-convertible cumulative preferred stocks, their dividends of current year, distributed or not, shall be deducted from the Net Profit After Tax, or add Net Loss After Tax. If preferred shares are non-cumulative, their dividends shall be deducted from the Net Profit After Tax (if any); while, in case of loss occurred to the company, it shall not be adjusted.

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

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

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

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

III. Audit Report for the Financial Statements of 2021 by Audit Committee

Accton Technology Corporation
2021 Audit Committee's Review Report

The Board of Directors has prepared and submitted Accton's 2021 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,

2022 Regular Meeting of Accton's Board of Shareholders

Convener of Audit Committee : Huang, Shu-Chie



Mar. 17, 2022

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, 2021 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



Kuan Xin Investment Corp.
Chairman

March 17, 2022

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, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies. (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, 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 the 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, 2021. 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.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2021 are stated as follows:

Revenue recognition

For the year ended December 31, 2021, the Group's net operating revenue was NT\$59,598,681 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 2020. 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 Accton Technology Corporation as of and for the years ended December 31, 2021 and 2020 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 the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

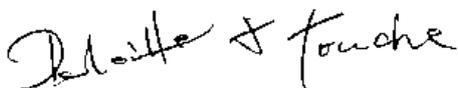
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 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 Ming Yuan Chung.



Deloitte & Touche
Taipei, Taiwan
Republic of China

March 17, 2022

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, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 32)	\$ 6,257,744	18	\$ 4,894,509	16
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 32)	140,012	-	2,413,955	8
Financial assets at fair value through other comprehensive income - current (Notes 4, 8 and 32)	250,405	1	192,943	1
Financial assets at amortized cost - current (Notes 4, 9 and 32)	943,630	3	3,197,704	10
Notes and trade receivables, net (Notes 4, 5 and 10)	10,316,266	29	8,847,386	28
Receivables from related parties (Notes 4, 5 and 33)	39	-	376	-
Other receivables (Notes 4, 10 and 26)	405,586	1	337,084	1
Other receivables from related parties (Notes 4 and 33)	9,078	-	9,815	-
Inventories (Notes 4, 5 and 11)	13,245,641	38	8,179,022	26
Prepayments (Notes 18 and 33)	195,793	1	356,477	1
Other current assets	18,039	-	11,030	-
Total current assets	<u>31,782,233</u>	<u>91</u>	<u>28,440,301</u>	<u>91</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 32)	195,145	1	136,757	1
Investments accounted for using the equity method (Notes 4 and 13)	11,526	-	12,929	-
Property, plant and equipment (Notes 4 and 14)	1,487,456	4	1,502,317	5
Right-of-use assets (Notes 4 and 15)	1,069,801	3	740,798	3
Goodwill (Notes 4 and 16)	1,930	-	1,930	-
Intangible assets (Notes 4 and 17)	107,351	-	74,442	-
Deferred income tax assets (Notes 4 and 26)	22,531	-	78,510	-
Prepayments for equipment	24,683	-	21,856	-
Refundable deposits (Note 32)	84,298	-	66,427	-
Other non-current assets-other (Notes 18, 34 and 35)	234,415	1	46,702	-
Total non-current assets	<u>3,239,136</u>	<u>9</u>	<u>2,682,668</u>	<u>9</u>
TOTAL	<u>\$ 35,021,369</u>	<u>100</u>	<u>\$ 31,122,969</u>	<u>100</u>

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	2021		2020	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Contract liabilities - current (Notes 4 and 24)	\$ 841,636	3	\$ 958,519	3
Trade payables	11,567,228	33	8,639,267	28
Accrued compensation of employees and remuneration of directors (Note 25)	1,053,040	3	1,031,443	3
Payables to contractors and equipment suppliers	110,169	-	104,220	-
Other payables (Note 20)	2,295,178	7	2,420,184	8
Other payables to related parties (Note 33)	-	-	1,867	-
Income tax payable (Notes 4 and 26)	1,168,369	3	1,349,251	4
Provisions - current (Notes 4 and 21)	102,430	-	84,389	-
Lease liabilities - current (Notes 4 and 15)	213,367	1	170,641	1
Deferred revenue - current (Notes 19 and 29)	11,075	-	11,075	-
Long-term borrowings - current portion(Notes 19 and 29)	175,325	1	-	-
Refund liabilities - current (Note 24)	105,639	-	60,601	-
Total current liabilities	<u>17,643,456</u>	<u>51</u>	<u>14,831,457</u>	<u>47</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 19 and 29)	1,003,418	3	1,163,470	4
Lease liabilities - non-current (Notes 4 and 15)	753,927	2	566,944	2
Deferred revenue - non-current (Notes 19 and 29)	37,019	-	48,094	-
Net defined benefit liabilities - non-current (Notes 4 and 22)	29,782	-	29,115	-
Guarantee deposits (Note 32)	816	-	816	-
Total non-current liabilities	<u>1,824,962</u>	<u>5</u>	<u>1,808,439</u>	<u>6</u>
Total liabilities	<u>19,468,418</u>	<u>56</u>	<u>16,639,896</u>	<u>53</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 23 and 28)				
Share capital				
Ordinary shares	<u>5,599,204</u>	<u>16</u>	<u>5,594,564</u>	<u>18</u>
Capital surplus	<u>843,580</u>	<u>2</u>	<u>824,883</u>	<u>3</u>
Retained earnings				
Legal reserve	2,347,651	7	1,843,206	6
Special reserve	473,221	1	538,244	2
Unappropriated earnings	<u>6,834,835</u>	<u>19</u>	<u>6,203,663</u>	<u>20</u>
Total retained earnings	<u>9,655,707</u>	<u>27</u>	<u>8,585,113</u>	<u>28</u>
Other equity	<u>(494,541)</u>	<u>(1)</u>	<u>(473,221)</u>	<u>(2)</u>
Treasury shares	<u>(50,999)</u>	<u>-</u>	<u>(50,999)</u>	<u>-</u>
Total equity attributable to owners of the Company	15,552,951	44	14,480,340	47
NON-CONTROLLING INTERESTS (Notes 4 and 23)				
Total equity	<u>15,552,951</u>	<u>44</u>	<u>14,483,073</u>	<u>47</u>
TOTAL	<u>\$ 35,021,369</u>	<u>100</u>	<u>\$ 31,122,969</u>	<u>100</u>

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 24 and 33)	\$ 59,598,681	100	\$ 54,462,872	100
OPERATING COSTS (Notes 4, 11, 22, 25 and 33)	<u>48,254,085</u>	<u>81</u>	<u>42,908,810</u>	<u>79</u>
GROSS PROFIT	<u>11,344,596</u>	<u>19</u>	<u>11,554,062</u>	<u>21</u>
OPERATING EXPENSES (Notes 4, 10, 22, 25 and 33)				
Selling and marketing	1,603,114	3	1,498,120	3
General and administrative	1,631,076	3	1,492,319	2
Research and development	2,668,321	4	2,163,639	4
Expected credit loss (gain)	<u>1,359</u>	<u>-</u>	<u>(2,679)</u>	<u>-</u>
Total operating expenses	<u>5,903,870</u>	<u>10</u>	<u>5,151,399</u>	<u>9</u>
OPERATING INCOME	<u>5,440,726</u>	<u>9</u>	<u>6,402,663</u>	<u>12</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 13, 25 and 33)				
Interest income	32,470	-	90,044	-
Other income	165,543	1	156,016	-
Other gains and losses	136,425	-	(396,294)	(1)
Finance costs	(42,388)	-	(38,094)	-
Share of loss of associates	<u>(1,625)</u>	<u>-</u>	<u>(1,440)</u>	<u>-</u>
Total non-operating income and expenses	<u>290,425</u>	<u>1</u>	<u>(189,768)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	5,731,151	10	6,212,895	11
INCOME TAX EXPENSE (Notes 4 and 26)	<u>1,026,093</u>	<u>2</u>	<u>1,164,255</u>	<u>2</u>
NET INCOME FOR THE YEAR	<u>4,705,058</u>	<u>8</u>	<u>5,048,640</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	(1,527)	-	(3,907)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	21,569	-	26,754	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>(39,289)</u>	<u>-</u>	<u>38,125</u>	<u>-</u>
Other comprehensive (loss) income for the year, net of income tax	<u>(19,247)</u>	<u>-</u>	<u>60,972</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 4,685,811</u>	<u>8</u>	<u>\$ 5,109,612</u>	<u>9</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 4,705,059	8	\$ 5,048,353	9
Non-controlling interests	<u>(1)</u>	<u>-</u>	<u>287</u>	<u>-</u>
	<u>\$ 4,705,058</u>	<u>8</u>	<u>\$ 5,048,640</u>	<u>9</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 4,685,812	8	\$ 5,109,469	9
Non-controlling interests	<u>(1)</u>	<u>-</u>	<u>143</u>	<u>-</u>
	<u>\$ 4,685,811</u>	<u>8</u>	<u>\$ 5,109,612</u>	<u>9</u>
EARNINGS PER SHARE (Note 27)				
Basic	<u>\$ 8.44</u>		<u>\$ 9.07</u>	
Diluted	<u>\$ 8.36</u>		<u>\$ 8.98</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, 2021 AND 2020 (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, 2020	\$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
Adjustments to capital surplus due to the distribution of cash dividends to subsidiaries	-	15,683	-	-	-	-	-	-	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)	-	(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	5,594,564	824,883	1,843,206	538,244	6,203,663	(454,339)	(18,882)	(50,999)	14,480,340	2,733	14,483,073
Adjustments to capital surplus due to the distribution of cash dividends to subsidiaries	-	14,354	-	-	-	-	-	-	14,354	-	14,354
Changes in percentage of ownership interests in subsidiaries	-	2,604	-	-	-	-	-	-	2,604	(2,732)	(128)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	3,600	-	(3,600)	-	-	-	-
Appropriation of 2020 earnings											
Legal reserve	-	-	504,445	-	(504,445)	-	-	-	-	-	-
Special reserve	-	-	-	(65,023)	65,023	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(3,636,538)	-	-	-	(3,636,538)	-	(3,636,538)
Net profit for the year ended December 31, 2021	-	-	-	-	4,705,059	-	-	-	4,705,059	(1)	4,705,058
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(1,527)	(39,289)	21,569	-	(19,247)	-	(19,247)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	4,703,532	(39,289)	21,569	-	4,685,812	(1)	4,685,811
Share-based payment arrangements	4,640	1,739	-	-	-	-	-	-	6,379	-	6,379
BALANCE AT DECEMBER 31, 2021	\$5,599,204	\$843,580	\$2,347,651	\$473,221	\$ 6,834,835	\$ (493,628)	\$ (913)	\$ (50,999)	\$15,552,951	\$ -	\$ 15,552,951

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, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 5,731,151	\$ 6,212,895
Adjustments for:		
Depreciation expense	722,315	636,471
Amortization expense	44,203	38,527
Expected credit loss (gain)	1,359	(2,679)
Net (gain) loss on financial assets at fair value through profit or loss	(184,106)	27,621
Finance costs	42,388	38,094
Interest income	(32,470)	(90,044)
Dividend income	(9,003)	(9,797)
Share of loss of associates	1,625	1,440
(Gain) loss on disposal of property, plant and equipment, net	(279)	878
Loss on disposal of subsidiaries	-	48
Reversal of inventories	(40,744)	(24,231)
Unrealized gain on foreign currency exchange	(20,911)	(69,700)
Amortization of grant revenue	(11,075)	(10,761)
Gain on lease modification	(206)	(39)
Changes in operating assets and liabilities		
Notes and trade receivables, net	(1,417,174)	(1,850,351)
Trade receivables from related parties	337	2,475
Other receivables	(72,179)	(204,239)
Other receivables from related parties	737	743
Inventories	(5,025,875)	562,142
Prepayments	153,784	(172,767)
Other current assets	(7,066)	13,130
Contract liabilities	(113,682)	366,382
Trade payables	2,868,543	(1,328,206)
Other payables	(146,015)	(69,229)
Other payables to related parties	(1,867)	(403)
Provisions	18,130	38,502
Refund liabilities	45,038	12,488
Net defined benefit liabilities	(860)	(2,225)
Cash generated from operations	2,546,098	4,117,165
Interest paid	(27,105)	(22,684)
Income tax paid	(1,150,996)	(622,076)
Net cash generated from operating activities	<u>1,367,997</u>	<u>3,472,405</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(46,147)	-
Proceeds from sale of financial assets at fair value through other comprehensive income	6,384	-
Purchase of financial assets at amortized cost	(6,948,290)	(10,174,508)
Proceeds from sale of financial assets at amortized cost	9,209,660	11,292,639

(Continued)

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
Purchase of financial assets at fair value through profit or loss	\$ (1,766,442)	\$ (4,740,092)
Proceeds from sale of financial assets at fair value through profit or loss	4,162,496	2,663,731
Net cash outflow on disposal of subsidiaries	(4,331)	(3,747)
Acquisition of property, plant and equipment	(480,256)	(581,114)
Proceeds from disposal of property, plant and equipment	1,837	2,842
Increase in refundable deposits	(18,149)	(21,093)
Acquisition of intangible assets	(77,124)	(59,415)
Acquisition of right-of-use assets	(155,000)	-
(Increase) decrease in other financial assets	(32,713)	15,064
Interest received	38,829	97,574
Dividends received	<u>9,003</u>	<u>9,797</u>
Net cash generated from (used in) investing activities	<u>3,899,757</u>	<u>(1,498,322)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	600,000	2,700,000
Repayments of short-term borrowings	(600,000)	(2,700,000)
Proceeds from long-term borrowings	-	345,000
Repayments of long-term borrowings	-	(100,000)
Decrease in guarantee deposits	-	(3,669)
Repayments of the principal portion of lease liabilities	(326,763)	(179,613)
Dividends paid to owners of the Company	(3,622,184)	(3,449,054)
Employee share options	<u>6,379</u>	<u>17,535</u>
Net cash used in financing activities	<u>(3,942,568)</u>	<u>(3,369,801)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>38,049</u>	<u>68,372</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,363,235	(1,327,346)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>4,894,509</u>	<u>6,221,855</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 6,257,744</u>	<u>\$ 4,894,509</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, 2021 AND 2020 (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 have been listed on the Taiwan Stock Exchange since November 1995.

The Company together with the entities controlled by the Company are hereinafter referred to collectively as the “Group”.

The functional currency of the Group is the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on March 17, 2022.

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 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)
Note 1: 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.	
Note 2: 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 3: 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 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.	

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group’s financial position and financial performance.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17-Comparative Information”	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 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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 will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: 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.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

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 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 of 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 Company.

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 had the Group 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 fair value on initial recognition of financial assets at fair value through profit or loss or, when applicable, the cost on initial recognition of an investment in an associate.

See Note 12 and Table 8 and 9 for detailed information on subsidiaries (including percentages of ownership and main businesses).

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 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 denominated in foreign currencies that are measured at fair value are

retranslated at the rates prevailing at the date when the fair value is 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 item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting consolidated financial statements, the financial statements of the Company's foreign operations (including subsidiaries and associates in other countries) that are prepared using functional currencies which are 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; and 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 Company and non-controlling interests as appropriate).

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 the 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 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.

g. Inventories

Inventories consist of raw materials, work-in-progress, finished goods and merchandise 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 at 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 not a subsidiary. The Group 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 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 the equity of associates attributable to the Group.

When the Group subscribes for additional new shares of an 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 - changes in capital surplus from investments in associates accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, 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 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.

When the Group 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 initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation of 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 methods 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 Group 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 other than goodwill

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 on 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 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 issuance 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 categories

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, and any dividends or interest earned on such financial assets are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. 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.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes and trade receivables measured at amortized cost (including related parties), other receivables (including 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.

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 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.

4) Derivative financial instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rates.

Derivative are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

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. Leases

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 lessee's incremented borrowing rate will be used.

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 other income 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 services.

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. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) 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. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. 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 capital surplus - employee share options. The expense is recognized in full at the grant date if the grants are vested immediately.

At the end of each reporting period, the Group revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in

profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to 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 Act 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 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 recognized only 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 such temporary differences 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 assets 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 liabilities are settled or the assets are 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 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 Group's accounting policies, management is required to make judgments, estimations, and assumptions on 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 possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future years.

Key Sources of Estimation Uncertainty

a. Estimated impairment of financial assets

The provision for impairment of trade receivables is based on assumptions on probability of default and loss given default. 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 in the sale of product 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

	<u>December 31</u>	
	2021	2020
Cash on hand	\$ 1,271	\$ 1,610
Checking accounts and demand deposits	5,041,304	3,544,903
Cash equivalents		
Time deposits with original maturities of less than 3 months	913,369	892,316
Repurchase agreements collateralized by bonds	<u>301,800</u>	<u>455,680</u>
	<u>\$ 6,257,744</u>	<u>\$ 4,894,509</u>

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

	<u>December 31</u>	
	2021	2020
Bank balance	0.001%-2.650%	0.001%-1.958%
Repurchase agreements collateralized by bonds	0.180%-0.300%	0.400%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2021	2020
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	\$ 140,012	\$ 2,128,757
Hybrid financial assets		
Structured deposits (a)	-	284,818
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts (b)	<u>-</u>	<u>380</u>
	<u>\$ 140,012</u>	<u>\$ 2,413,955</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>\$ 195,145</u>	<u>\$ 136,757</u>

- a. 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.
- b. 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>	
	2021	2020
<u>Current</u>		
Domestic and foreign investments		
Listed shares and emerging market shares	\$ 250,405	\$ 192,943

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>	
	2021	2020
<u>Current</u>		
Time deposits with original maturity of more than 3 months	\$ 943,630	\$ 3,197,704

The ranges of interest rates for time deposits with original maturities of more than 3 months were 0.170%-0.865% and 0.190%-1.760% per annum as of December 31, 2021 and 2020, respectively. Refer to Note 32 for information relating to the credit risk management and impairment of investments in financial assets at amortized cost.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31</u>	
	2021	2020
<u>Notes receivable</u>		
Notes receivable - operating	\$ 235	\$ 3,422
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 10,333,104	\$ 8,859,776
Less: Allowance for impairment loss	(17,073)	(15,812)
	<u>\$ 10,316,031</u>	<u>\$ 8,843,964</u>
<u>Other receivables</u>		
At amortized cost		
Gross carrying amount	\$ 408,632	\$ 340,130
Less: Allowance for impairment loss	(3,046)	(3,046)
	<u>\$ 405,586</u>	<u>\$ 337,084</u>

- a. Notes and trade receivables

The average credit period of sales of goods is 30 days, and some customers have credit period of 45 to 90 days after the end of the month. No interest is charged on trade receivables. The Group adopted a policy to obtain sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information or its own trading records to rate its major customers.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix approach considering the past default experience of the customer, the customer's current financial position, as well as the economic condition of the industry in which the customer operates. The Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base. The Group estimates expected credit losses based on the number of days for which receivables are past due.

The Group writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation. 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, 2021

	Not Past Due	1 to 60 Days Past Due	61 to 180 Days Past Due	Over 180 Days Past Due	Total
Gross carrying amount	\$ 10,027,021	\$ 290,751	\$ 4,134	\$ 11,198	\$ 10,333,104
Loss allowance (Lifetime ECL)	-	(4,964)	(911)	(11,198)	(17,073)
Amortized cost	<u>\$ 10,027,021</u>	<u>\$ 285,787</u>	<u>\$ 3,223</u>	<u>\$ -</u>	<u>\$ 10,316,031</u>

December 31, 2020

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

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

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 15,812	\$ 26,970
Add: Amounts provisioned (reversed)	1,359	(2,679)
Less: Amounts written off	-	(8,623)
Foreign exchange gains and losses	(98)	144
Balance at December 31	<u>\$ 17,073</u>	<u>\$ 15,812</u>

b. Other receivables

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

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

	For the Year Ended December 31	
	2021	2020
Balance at January 1 and December 31	<u>\$ 3,046</u>	<u>\$ 3,046</u>

As of December 31, 2021 and 2020, 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	
	2021	2020
Merchandise	\$ 818,490	\$ 2,455,755
Finished goods	1,304,126	884,247
Work in progress	865,741	714,955
Raw materials	<u>10,257,284</u>	<u>4,124,065</u>
	<u>\$ 13,245,641</u>	<u>\$ 8,179,022</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 was \$48,254,085 thousand and \$42,908,810 thousand, respectively. The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 consisted an inventory write-down of \$40,744 thousand and a reversal of write-down of \$24,231 thousand.

12. SUBSIDIARIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Investor	Investee	Main Business	% of Ownership		Remark
			December 31		
			2021	2020	
The Company	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%	-
	SMC Networks Inc. ("SMC USA")	Sale of network products	100%	100%	-
	Accton Investment Corp. ("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. ("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%	Note 2
	4ipnet, Inc. ("4ipnet")	Research, development, manufacture and selling of wireless products and solutions for enterprises	-	98%	Note 1
Accton Century	Accton Asia Investment Corp. ("Accton Asia")	Investment holding company	100%	100%	-
Accton Asia	Joy Technology (Shenzhen) Co., Ltd. ("Joy Tech.")	Selling and producing of high-end network switches	100%	100%	-
Joy Tech	ATAN NetworKs Co., Ltd. ("ATAN")	Sale of network products	100%	-	Note 3
Accton China	Accton Technology Co., Ltd. ("Accton SH")	Sale of network products	100%	100%	-
Accton SH	MuXi Technology Co., Ltd. ("MuXi")	Sale of network products	100%	100%	-
Edgecore Networks	Edgecore Networks Singapore Pte. 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%	Note 4
	ATAN NetworKs Co., Ltd. ("ATAN")	Sale of network products	-	100%	Note 3
Edgecore Cayman	Edgecore Americas Networking Corp. (Edgecore Americas)	Sell high-quality LAN hardware and software products	100%	100%	-

Note 1: In May 2021, 4ipnet, Inc. completed its liquidation procedures.

Note 2: In order to improve its financial structure and replenish the operating capital, Metalligence approved a capital reduction project for the make-up of losses in the amount of \$45,907 thousand on November 2, 2021. Also, Metalligence approved the issuance of shares in the amount of \$2,000 thousand on November 11, 2021. The Company did not subscribe for additional new shares of Metalligence. As a result, its continuing ownership interest was reduced from 100% to 20% and resulted in the Company to lose control over Metalligence. Therefore, Metalligence has been classified from being a subsidiary into an associate.

Note 3: In December 2021, due to the Group's organization restructuring, Joy Tech acquired 100% of ATAN's shares which were held by Edgecore Networks.

Note 4: In December 2021, Horwood completed its liquidation procedures.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	2021	2020
Associates that are not individually material	<u>\$ 11,526</u>	<u>\$ 12,929</u>

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

Name of Associate	Main Business	Location	<u>December 31</u>	
			2021	2021
Alpha Telecom, Inc.	Sale and manufacture of communication transmission, VoIP and IDSN equipment	USA	-	30%
Oenix Biomed Co., Ltd.	Research and development of health care services and equipment	Taipei	40%	40%
Metalligence Technology Corp.	Provides e-commerce apps, information software and advertising services	Hsinchu	20%	-

In December 2021, Alpha Telecom, Inc. completed its liquidation procedures. Since November 2021, Metalligence Technology Corp. has been classified from being a 100% subsidiary into an associate.

14. PROPERTY, PLANT AND EQUIPMENT

a. Assets used by the Group

	Buildings	Machinery and Equipment	Molding Equipment	Testing Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Total
<u>Cost</u>									
Balance at January 1, 2021	\$ 407,952	\$2,003,198	\$ 388,888	\$ 523,117	\$ 49,625	\$ 211,374	\$ 451,429	\$ 299,573	\$4,335,156
Additions	2,552	163,828	80,016	71,710	4,332	46,359	50,655	63,817	483,269
Reductions	(710)	(20,337)	(1,730)	(12,245)	(8,243)	(14,236)	(1,579)	(2,788)	(61,868)
Effect of disposal of subsidiary	-	-	-	-	-	(315)	-	-	(315)
Effect of foreign currency exchange differences	-	(6,473)	(414)	(64)	(34)	(448)	(1,165)	(1,173)	(9,771)
Balance at December 31, 2021	<u>\$ 409,794</u>	<u>\$2,140,216</u>	<u>\$ 466,760</u>	<u>\$ 582,518</u>	<u>\$ 45,680</u>	<u>\$ 242,734</u>	<u>\$ 499,340</u>	<u>\$ 359,429</u>	<u>\$4,746,471</u>
<u>Accumulated depreciation</u>									
Balance at January 1, 2021	\$ 266,056	\$1,332,652	\$ 259,110	\$ 391,326	\$ 37,154	\$ 132,287	\$ 246,894	\$ 167,360	\$2,832,839
Additions	18,951	200,328	58,961	54,155	4,235	33,302	69,879	54,796	494,607
Reductions	(481)	(19,788)	(1,730)	(12,082)	(8,240)	(14,124)	(1,579)	(2,286)	(60,310)
Effect of disposal of subsidiary	-	-	-	-	-	(292)	-	-	(292)
Effect of foreign currency exchange differences	-	(5,397)	(370)	(31)	(30)	(368)	(958)	(675)	(7,829)
Balance at December 31, 2021	<u>\$ 284,526</u>	<u>\$1,507,795</u>	<u>\$ 315,971</u>	<u>\$ 433,368</u>	<u>\$ 33,119</u>	<u>\$ 150,805</u>	<u>\$ 314,236</u>	<u>\$ 219,195</u>	<u>\$3,259,015</u>
Carrying amount at December 31, 2021	<u>\$ 125,268</u>	<u>\$ 632,421</u>	<u>\$ 150,789</u>	<u>\$ 149,150</u>	<u>\$ 12,561</u>	<u>\$ 91,929</u>	<u>\$ 185,104</u>	<u>\$ 140,234</u>	<u>\$1,487,456</u>
<u>Cost</u>									
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>
<u>Accumulated depreciation</u>									
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 amount 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>

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

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

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

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

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2021	2020
<u>Carrying amount</u>		
Land	\$ 503,524	\$ 149,923
Buildings	563,143	590,787
Other equipment	3,134	-
Transportation equipment	<u>-</u>	<u>88</u>
	<u>\$ 1,069,801</u>	<u>\$ 740,798</u>
	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	<u>\$ 573,105</u>	<u>\$ 315,726</u>
Depreciation charge for right-of-use assets		
Land	\$ 11,513	\$ 5,586
Buildings	215,290	180,943
Other equipment	818	-
Transportation equipment	<u>87</u>	<u>92</u>
	<u>\$ 227,708</u>	<u>\$ 186,621</u>

b. Lease liabilities

	December 31	
	2021	2020
<u>Carrying amount</u>		
Current	<u>\$ 213,367</u>	<u>\$ 170,641</u>
Non-current	<u>\$ 753,927</u>	<u>\$ 566,944</u>

Range of discount rates for lease liabilities was as follows:

	December 31	
	2021	2020
Land	2.80%	2.51%-2.80%
Buildings	0.85%-5.33%	1.35%-5.33%
Other equipment	1.89%	-
Transportation equipment	3.93%	3.93%

The Group leases land and buildings for the use of plants and offices with lease terms of 5 to 40 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

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	<u>\$ 33,113</u>	<u>\$ 59,840</u>
Total cash outflow for leases	<u>\$ 386,251</u>	<u>\$ 259,786</u>

The Group's leases of 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

For the Year Ended December 31

2021 2020

Cost

Balance at January 1 and December 31 \$ 1,930 \$ 1,930

The Group recognized that there was no impairment loss of the recoverable amount of the assessed goodwill in 2021 and 2020.

17. INTANGIBLE ASSETS

	Technology License Fees	Computer Software	Patents	Other Deferred Charges	Total
<u>Cost</u>					
Balance at January 1, 2021	\$ 747	\$ 130,627	\$ -	\$ -	\$ 131,374
Additions	13,899	63,225	-	-	77,124
Reductions	(749)	(40,037)	-	-	(40,786)
Effect of foreign currency exchange differences	-	(37)	-	-	(37)
Balance at December 31, 2021	<u>\$ 13,897</u>	<u>\$ 153,778</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 167,675</u>
<u>Accumulated amortization</u>					
Balance at January 1, 2021	\$ 622	\$ 56,310	\$ -	\$ -	\$ 56,932
Additions	356	43,847	-	-	44,203
Reductions	(749)	(40,037)	-	-	(40,786)
Effect of foreign currency exchange differences	-	(25)	-	-	(25)
Balance at December 31, 2021	<u>\$ 229</u>	<u>\$ 60,095</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,324</u>
Carrying amount at December 31, 2021	<u>\$ 13,668</u>	<u>\$ 93,683</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,351</u>
<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 amount at December 31, 2020	<u>\$ 125</u>	<u>\$ 74,317</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,442</u>

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

Technology license fees	1-10 years
Computer software	2-8 years
Patents	5-8 years
Other deferred charges	2-10 years

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

18. PREPAYMENTS AND OTHER ASSETS

	December 31	
	2021	2020
<u>Current</u>		
Prepayments		
Excess VAT paid	\$ 78,620	\$ 216,022
Prepayments for purchases	23,707	81,152
Prepayments for software maintenance fees	23,485	23,428
Other	<u>69,981</u>	<u>35,875</u>
	<u>\$ 195,793</u>	<u>\$ 356,477</u>
<u>Non-current</u>		
Other Assets		
Prepayments for land use right (Note 35)	\$ 155,000	\$ -
Pledged time deposits (Note 34)	79,415	27,773
Other	-	18,929
	<u>\$ 234,415</u>	<u>\$ 46,702</u>

19. BORROWINGS

Long-term borrowings

The borrowings of the Group are as follows:

	Maturity Date	Significant Covenant	December 31	
			2021	2020
Unsecured bank borrowings	2026.06.15	From June 2022, 49 monthly payments of principal and interest	\$ 1,000,000	\$ 1,000,000
Unsecured bank borrowings	2026.04.15	From June 2022, 47 monthly payments of principal and interest	<u>218,000</u>	<u>218,000</u>
			1,218,000	1,218,000
Less: Discounts on government grants (Note 29)			(39,257)	(54,530)
Less: Current portion			<u>(175,325)</u>	<u>-</u>
			<u>\$ 1,003,418</u>	<u>\$ 1,163,470</u>

The intervals of effective borrowing rates as of December 31, 2021 and 2020 were both 0%-0.10%.

The loan agreements require the maintenance of a current ratio, debt ratio, and interest coverage ratio based on the Group's annual and quarterly consolidated financial statements. For the years ended December 31, 2021 and 2020, the Group had met the financial ratio covenants.

20. OTHER LIABILITIES

	December 31	
	2021	2020
<u>Current</u>		
Other payables		
Temporary receipts from customers	\$ 515,368	\$ 713,994
Payable for bonuses	380,495	304,767
Payable for salaries	154,526	127,574
Payable for import/export	112,600	88,240
Temporary credit and agency receipt	98,151	373,638
Payable for insurance	86,881	34,005
Payable for service	45,460	34,735
Others	<u>901,697</u>	<u>743,231</u>
	<u>\$ 2,295,178</u>	<u>\$ 2,420,184</u>

21. PROVISIONS

	December 31	
	2021	2020
Warranties	<u>\$ 102,430</u>	<u>\$ 84,389</u>
Warranties		
<u>In 2020</u>		
Balance at January 1, 2020		\$ 45,966
Additional provisions recognized		171,957
Amounts used		(133,455)
Effect of foreign currency exchange differences		(79)
Balance at December 31, 2020		<u>\$ 84,389</u>
<u>In 2021</u>		
Balance at January 1, 2021		\$ 84,389
Additional provisions recognized		118,726
Amounts used		(100,596)
Effect of foreign currency exchange differences		(89)
Balance at December 31, 2021		<u>\$ 102,430</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 has 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 adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company 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 defined benefit plans adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute 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 Bank of Taiwan in the committee's name. 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 consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Present value of defined benefit obligation	\$ 294,233	\$ 294,922
Fair value of plan assets	<u>(264,451)</u>	<u>(265,807)</u>
Net defined benefit liabilities	<u>\$ 29,782</u>	<u>\$ 29,115</u>

Movements in net defined benefit liabilities were as follows:

	<u>Present Value of the Defined Benefit Obligation</u>	<u>Fair Value of the Plan Assets</u>	<u>Net Defined Benefit Liabilities</u>
Balance at January 1, 2021	\$ 294,922	\$ (265,807)	\$ 29,115
Service cost			
Current service cost	817	-	817
Net interest expense (income)	<u>2,359</u>	<u>(2,138)</u>	<u>221</u>
Recognized in profit or loss	<u>3,176</u>	<u>(2,138)</u>	<u>1,038</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,623)	(2,623)
Actuarial loss - experience adjustments	<u>4,150</u>	<u>-</u>	<u>4,150</u>
Recognized in other comprehensive income	<u>4,150</u>	<u>(2,623)</u>	<u>1,527</u>
Contributions from the employer	<u>-</u>	<u>(1,898)</u>	<u>(1,898)</u>
Benefits paid	<u>(8,015)</u>	<u>8,015</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 294,233</u>	<u>\$ (264,451)</u>	<u>\$ 29,782</u>
Balance at January 1, 2020	\$ 290,335	\$ (262,902)	\$ 27,433
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:

	For the Year Ended December 31	
	2021	2020
Operating costs	\$ 57	\$ 98
Selling and marketing expenses	119	128
General and administrative expenses	467	500
Research and development expenses	<u>395</u>	<u>428</u>
	<u>\$ 1,038</u>	<u>\$ 1,154</u>

Through the defined benefit plans under the Labor Standards Act, 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 plans' 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 salaries of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2021	2020
Discount rates	0.75%	0.80%
Expected rates of salary increase	3.50%	3.50%

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

	December 31	
	2021	2020
Discount rates		
0.25% increase	<u>\$ (7,009)</u>	<u>\$ (7,844)</u>
0.25% decrease	<u>\$ 7,265</u>	<u>\$ 8,154</u>
Expected rates of salary increase		
1.00% increase	<u>\$ 29,533</u>	<u>\$ 33,308</u>
1.00% decrease	<u>\$ (26,180)</u>	<u>\$ (29,195)</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.

	December 31	
	2021	2020
Expected contributions to the plans for the next year	<u>\$ 1,898</u>	<u>\$ 2,754</u>
Average duration of the defined benefit obligation	12 years	13 years

23. EQUITY

a. Ordinary shares

	December 31	
	2021	2020
Authorized shares (in thousands)	<u>880,000</u>	<u>880,000</u>
Authorized capital	<u>\$ 8,800,000</u>	<u>\$ 8,800,000</u>
Issued and fully paid shares (in thousands)	<u>559,920</u>	<u>559,456</u>
Issued capital	<u>\$ 5,599,204</u>	<u>\$ 5,594,564</u>

A holder of issued ordinary shares with par value of \$10 per share is entitled to vote and to receive dividends.

The authorized shares include 87,000 thousand shares allocated for the exercise of employee share options.

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

b. Capital surplus

	December 31	
	2021	2020
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance of ordinary shares	\$ 537,114	\$ 535,375
Treasury share transactions	70,137	55,783
Employee share options	219,717	217,135
May only be used to offset a deficit		
Changes in percentage of ownership interests in subsidiaries (2)	8,113	5,509
May not be used for any purpose		
Employee share options	<u>8,499</u>	<u>11,081</u>
	<u>\$ 843,580</u>	<u>\$ 824,883</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 to once a year).

2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulted from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of subsidiaries accounted for by using the equity method.

A reconciliation of the carrying amounts at the beginning and at the end of December 31, 2021 and 2020, for each class of capital surplus was as follows:

	Premium on Issuance of Shares	Treasury Shares	Employee Share Options	Change in Percentage of Ownership Interests 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 options expired	-	-	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>
Balance at January 1, 2021	535,375	55,783	217,135	5,509	11,081
Employee share options exercised	1,739	-	2,124	-	(2,124)
Employee share options expired	-	-	458	-	(458)
Cash dividends received by subsidiaries from parent company	-	14,354	-	-	-
Partial acquisition (disposal) of equity in subsidiaries	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,604</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 537,114</u>	<u>\$ 70,137</u>	<u>\$ 219,717</u>	<u>\$ 8,113</u>	<u>\$ 8,499</u>

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the 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 legal reserve 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 compensation of employees and remuneration of directors after the amendment, refer to compensation of employees and remuneration of directors in Note 25-7.

The 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 way of cash dividends or share 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 deficit. 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.

The appropriations of earnings for 2020 and 2019, which were approved in the shareholders' meetings on July 8, 2021 and June 18, 2020, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Year 2020	For Year 2019	For Year 2020	For Year 2019
Legal reserve	\$ 504,445	\$ 495,049	\$ -	\$ -
(Reversal of) special reserve	(65,023)	230,752	-	-
Cash dividends	3,636,538	3,462,734	6.4956	6.1903

The appropriations of earnings for 2021 were proposed by the Company's board of directors on March 17, 2022. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 470,713	\$ -
Special reserve	21,320	-
Cash dividends	3,359,576	6

The appropriations of earnings for 2021 are subject to the resolution of the shareholders' meeting to be held on June 16, 2022.

d. Special reserves

	For the Year Ended December 31	
	2021	2020
Beginning at January 1	\$ 538,244	\$ 307,492
(Reversal of) appropriations in respect of Debits to other equity items	<u>(65,023)</u>	<u>230,752</u>
Balance at December 31	<u>\$ 473,221</u>	<u>\$ 538,244</u>

e. Other equity items

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

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ (454,339)	\$ (492,608)
Recognized for the year Exchange differences on the translation of the financial statements of foreign operations	<u>(39,289)</u>	<u>38,269</u>
Balance at December 31	<u>\$ (493,628)</u>	<u>\$ (454,339)</u>

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

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ (18,882)	\$ (45,636)
Recognized for the year Unrealized gain - equity instruments Reclassification adjustments Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	<u>21,569</u> <u>(3,600)</u>	<u>26,754</u> <u>-</u>
Balance at December 31	<u>\$ (913)</u>	<u>\$ (18,882)</u>

f. Treasury shares

The Company's shares held by its subsidiaries on the balance sheet date were as follows:

Name of Subsidiary	Number of Shares Held (In Thousands of Shares)	Carrying Amount	Market Value
December 31, 2021			
Accton Investment	2,210	\$ 50,999	\$ 574,565
December 31, 2020			
Accton Investment	2,210	\$ 50,999	\$ 698,318

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

24. REVENUE

	For the Year Ended December 31	
	2021	2020
Revenue from the sale of goods	\$ 59,519,099	\$ 54,382,569
Other operating revenue	79,582	80,303
	<u>\$ 59,598,681</u>	<u>\$ 54,462,872</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, 2021 and 2020, for information on the refund liability which amounted to \$105,639 thousand and \$60,601 thousand, respectively.

b. Contact balances

	December 31, 2021	December 31, 2020	January 1, 2020
Trade receivables (Note 10)	<u>\$ 10,316,031</u>	<u>\$ 8,843,964</u>	<u>\$ 6,964,535</u>
Contract liabilities - current			
Sale of goods	<u>\$ 841,636</u>	<u>\$ 958,519</u>	<u>\$ 592,137</u>

As of December 31, 2021 and 2020, the sales of goods from contract liabilities amounted to \$368,527 thousand and \$151,826 thousand, respectively.

c. Disaggregation of revenue

Refer to Note 39 for information on disaggregation of revenue.

25. NET PROFIT

Net profit attributable to:

a. Interest income

	For the Year Ended December 31	
	2021	2020
Bank deposits	\$ 32,335	\$ 89,534
Financial assets at amortized cost	-	449
Others	135	61
	<u>\$ 32,470</u>	<u>\$ 90,044</u>

b. Other income

	For the Year Ended December 31	
	2021	2020
Grant income (Note 29)	\$ 59,122	\$ 90,685
Dividends	9,003	9,797
Others	97,418	55,534
	<u>\$ 165,543</u>	<u>\$ 156,016</u>

c. Other gains and losses

	For the Year Ended December 31	
	2021	2020
Net gain/(loss) on fair value changes of financial assets		
Financial assets mandatorily classified as at FVTPL	\$ 184,106	\$ (27,621)
Gain on lease modification	206	39
Loss on disposal of subsidiaries	-	(48)
Net foreign exchange losses	(44,993)	(350,113)
Others	(2,894)	(18,551)
	<u>\$ 136,425</u>	<u>\$ (396,294)</u>

d. Finance costs

	For the Year Ended December 31	
	2021	2020
Interest on lease liabilities	\$ 26,375	\$ 20,333
Interest on bank loans	16,013	17,603
Others	-	158
	<u>\$ 42,388</u>	<u>\$ 38,094</u>

e. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
An analysis of depreciation by function		
Operating costs	\$ 372,911	\$ 351,214
Operating expenses	349,404	285,257
	<u>\$ 722,315</u>	<u>\$ 636,471</u>
An analysis of amortization by function		
Operating costs	\$ 5,725	\$ 6,264
Operating expenses	38,478	32,263
	<u>\$ 44,203</u>	<u>\$ 38,527</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2021	2020
Short-term benefits	\$ 4,953,914	\$ 4,571,893
Post-employment benefits (Note 22)		
Defined contribution plan	209,582	190,910
Defined benefit plans	1,038	1,154
Total employee benefits expense	<u>\$ 5,164,534</u>	<u>\$ 4,763,957</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 1,685,713	\$ 1,488,226
Operating expenses	3,478,821	3,275,731
	<u>\$ 5,164,534</u>	<u>\$ 4,763,957</u>

g. Compensation of employees and remuneration of directors

According to the Company's Articles, the Company accrued compensation of employees 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, compensation of employees, and remuneration of directors. The compensation of employees and the remuneration of directors for the years ended December 31, 2021 and 2020, which were approved by the Company's board of directors on March 17, 2022 and March 18, 2021, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2021	2020
Compensation of employees	11.25%	11.25%
Remuneration of directors	0.6%	0.6%

Amount

	For the Year Ended December 31			
	2021		2020	
	Cash	Share	Cash	Share
Compensation of employees	<u>\$ 713,872</u>	\$ -	<u>\$ 779,607</u>	\$ -
Remuneration of directors	<u>\$ 40,000</u>	-	<u>\$ 45,000</u>	-

If there is a change in the amounts after the annual consolidated financial statements authorized for issue, the differences will be recorded as a change in the accounting estimate.

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

Information on compensation of employees 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 are as follows:

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ 991,990	\$ 1,227,121
Income tax on unappropriated earnings	43,132	31,357
Adjustments for prior years	(65,008)	(66,151)
Deferred tax		
In respect of the current year	<u>55,979</u>	<u>(28,072)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,026,093</u>	<u>\$ 1,164,255</u>

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

	For the Year Ended December 31	
	2021	2020
Profit before tax	<u>\$ 5,731,151</u>	<u>\$ 6,212,895</u>
Income tax expense calculated at the statutory rate	\$ 1,278,681	\$ 1,355,686
Income tax on unappropriated earnings	48,424	39,310
Nondeductible items expenses in determining taxable income	(133,698)	(73,285)
Investment tax credits used	(102,306)	(91,305)
Adjustments for prior years' tax	<u>(65,008)</u>	<u>(66,151)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,026,093</u>	<u>\$ 1,164,255</u>

b. Current tax assets and liabilities

	December 31	
	2021	2020
Current tax assets (included in other receivables)		
Tax refund receivable	<u>\$ 2,628</u>	<u>\$ 18,985</u>
Current tax liabilities		
Income tax payable	<u>\$ 1,168,369</u>	<u>\$ 1,349,251</u>

c. Deferred tax assets and liabilities

The movements of deferred tax assets and liabilities were as follows:

For the year ended December 31, 2021

	Balance, at Beginning of Year	Movements	Balance, at End of Year
<u>Deferred tax assets</u>			
Temporary difference	\$ 77,086	\$ (55,026)	\$ 22,060
Loss carryforwards	<u>1,424</u>	<u>(953)</u>	<u>471</u>
	<u>\$ 78,510</u>	<u>\$ (55,979)</u>	<u>\$ 22,531</u>

For the year ended December 31, 2020

	Balance, at Beginning of Year	Movements	Balance, at End of Year
<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>

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

	December 31	
	2021	2020
Loss carryforwards		
Expire in 2021	\$ -	\$ 362,423
Expire in 2022	104,931	110,232
Expire in 2023	426,766	513,349
Expire in 2024	293,385	357,290
Expire in 2025	289,016	327,119
Expire in 2027	41,829	52,509
Expire in 2028	-	14,575
Expire in 2029	78,988	117,402
Expire in 2030	-	8,804
Expire in 2033	87,746	136,663
Expire in 2035	66,950	114,511
Expire in 2036	104,201	247,795
Expire in 2037	159,354	173,296
Expire in 2038	244,438	427,659
Expire in 2039	47,353	97,444
Expire in 2041	26,854	-
	<u>\$ 1,971,811</u>	<u>\$ 3,061,071</u>
Deductible temporary differences	<u>\$ 707,219</u>	<u>\$ 760,722</u>

- e. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2021 and 2020, the taxable 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 the income tax returns of the Company, Edgecore Networks, and E-Direct through 2019 and have examined the income tax returns of Metalligence through 2020.

27. EARNINGS PER SHARE

	Unit: NT\$ Per Share	
	For the Year Ended December 31	
	2021	2020
Basic earnings per share	\$ 8.44	\$ 9.07
Diluted earnings per share	\$ 8.36	\$ 8.98

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2021	2020
Earnings used in the computation of basic and diluted earnings per share	\$ 4,705,059	\$ 5,048,353

The weighted average number of ordinary shares outstanding (in thousand shares) was as follows:

	For the Year Ended December 31	
	2021	2020
Weighted average number of ordinary shares used in the computation of basic earnings per share	557,501	556,352
Effect of potentially dilutive ordinary shares		
Employee share option	1,612	2,682
Compensation of employees	3,364	3,424
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>562,477</u>	<u>562,458</u>

The Company may settle the compensation of employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are 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 options on September 4, 2014 and 20,000 thousand options on July 20, 2010. Each option entitles the holder to subscribe for one ordinary share 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>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	-	-	(500)	8.60
Balance at December 31	<u>2,002</u>	13.80	<u>-</u>	-
<u>2021</u>				
Balance at January 1	2,002	\$ 13.80	-	\$ -
Options exercised	(464)	13.50-13.80	-	-
Options canceled	(100)	13.50	-	-
Balance at December 31	<u>1,438</u>	13.50	<u>-</u>	-

The number of outstanding share options and the exercise prices have been adjusted to reflect the share dividends and the cancellation of ordinary shares according to plan.

Information on outstanding options as of December 31, 2021 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\$)
Exercise Price (NT\$)					
<u>2014 option plan</u>					
\$ 13.50	<u>1,438</u>	2.69	\$ 13.50	<u>1,438</u>	\$ 13.50

Options granted in 2014 and 2010 were priced using the Black-Scholes pricing model. 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 years ended December 31, 2021 and 2020.

Employee share option plan of SMC

Qualified employees of SMC were granted 2,125 thousand options on August 3, 2012. Each option entitles the holder to subscribe for one ordinary share of SMC. The options granted are valid for 10 years and exercisable at certain percentages after the anniversary from the grant date.

	2012	
	Number of Options (In Thousands)	Weighted-average Exercise Price (USD)
<u>2020</u>		
Balance at January 1 and December 31	<u>246</u>	USD 1.10
<u>2021</u>		
Balance at January 1	246	USD 1.10
Options canceled	<u>(12)</u>	USD 1.10
Balance at December 31	<u>234</u>	USD 1.10

Information on outstanding options as of December 31, 2021 was as follows:

	Options Outstanding			Options Exercisable	
	Number Outstanding (In Thousands)	Expected Remaining Contractual Life (In Years)	Weighted- average Exercise Price (USD)	Number Exercisable (In Thousands)	Weighted- average Exercise Price (USD)
<u>2012 option plan</u>					
USD 1.10	<u>234</u>	0.59	USD 1.10	<u>234</u>	USD 1.10

Options granted in 2012 was priced using the Black-Scholes pricing model. The inputs to the model were as follows:

	2012
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 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 years ended December 31, 2021 and 2020.

29. GOVERNMENT GRANTS

As of December 31, 2021, 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 2021 and 2020, the Company recognized other income of \$11,075 thousand and \$10,761 thousand and the interest expense of the loan of \$15,491 thousand and \$15,988 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.

In 2021, the Company recognized other income of \$23,977 thousand for the grants of “The Taiwan Industry Innovation Platform Program”.

In 2021 and 2020, Joy Tech recognized other income of \$48,047 thousand and \$55,947 thousand for the grants of labor allowance and utility costs from the local government.

30. DISPOSAL OF SUBSIDIARY

a. On December 31, 2021, the Group completed the liquidation of its subsidiary, Horwood.

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

	Horwood
Current assets	
Cash and cash equivalents	<u>\$ 7,708</u>
Net assets disposed of	<u>\$ 7,708</u>

2) Gain on liquidation of subsidiary		Horwood
Consideration received		\$ 7,708
Net assets disposed of		<u>(7,708)</u>
Gain on disposal		<u>\$ -</u>
b. On November 11, 2021, the Group lost control over its subsidiary, Metalligence. Please set out in Note 12 and 13.		
1) Analysis of assets and liabilities on the date of losing control		Metalligence
Current assets		
Cash and cash equivalents		\$ 4,331
Prepayments		6,900
Other current assets		57
Non-current assets		
Property, plant and equipment		23
Current liabilities		
Contract liabilities		(3,201)
Other Payables		<u>(7,888)</u>
Gain on disposal		<u>\$ 222</u>
2) Gain on liquidation of subsidiary		Metalligence
The remainder investment recognized at fair value		\$ 222
Net assets disposed of		<u>(222)</u>
Gain on disposal		<u>\$ -</u>
c. 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		Accton Vietnam
Current assets		
Cash and cash equivalents		\$ 5,129
Net assets disposed of		<u>\$ 5,129</u>
2) Loss on liquidation of subsidiary		Accton Vietnam
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>

31. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group has 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 measured at fair value on a recurring basis

1) Fair value hierarchy
December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 140,012	\$ -	\$ -	\$ 140,012
Unlisted shares	<u>-</u>	<u>-</u>	<u>195,145</u>	<u>195,145</u>
	<u>\$ 140,012</u>	<u>\$ -</u>	<u>\$ 195,145</u>	<u>\$ 335,157</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares and emerging market shares	<u>\$ 250,405</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,405</u>

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	\$ 192,943	\$ -	\$ -	\$ 192,943

There were no transfers between Level 1 and 2 in current and prior years.

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

For the year ended December 31, 2021

Financial Assets	Financial Assets at FVTOCI
	Equity Instruments
Balance at January 1, 2021	\$ 421,575
Recognized in profit or loss (included in other gains and losses)	132,244
Purchases	1,081,442
Sales	(1,440,116)
Balance at December 31, 2021	<u>\$ 195,145</u>

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	(13,824)
Balance at December 31, 2020	<u>\$ 421,575</u>

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

- Some foreign unlisted equity securities are determined by using the Black-Scholes method which is to calculate the overall equity value of the target company based on the recent transaction and issue price. Then the Group assesses the net of these investment targets to determine the fair value of the equity investments to reflect the overall value.
- Some of the fair values of unlisted equity securities for both domestic and foreign were determined using the market approach based on the transaction price of the comparable standard and financial information of the underlying company and the market peers. Market multipliers such as price-to-earnings ratio, price-to-book ratio, price-to-sales ratio or other financial ratios are used to analyze and evaluate.

	December 31	
	2021	2020
Price book ratio	1.636-5.827	1.830-4.049
Price-to-sales ratio	0.64-2.44	0.73-2.48
Liquidity discount	20%	20%

b. Categories of financial instruments

	December 31	
	2021	2020
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 335,157	\$ 2,550,712
Financial assets at amortized cost (Note 1)	18,096,056	17,381,074
Financial assets at FVTOCI		
Equity instruments	250,405	192,943
<u>Financial liabilities</u>		
Amortized cost (Note 2)	15,152,134	12,329,824

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, pledged time deposits and refundable deposits.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise trade payables, payables to contractors and equipment suppliers, other payables (include related parties), long-term borrowings - current portion, long-term borrowings and guarantee deposits.

c. 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 has been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group has foreign currency denominated sales and purchases, which exposed the Group to foreign currency risk. To protect against reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Group utilizes short-term loans in foreign currency and derivative financial instruments (including forward exchange contracts) to hedge its currency exposure.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 37.

Sensitivity analysis

The Group is mainly exposed to the USD, EUR and HKD.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (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 representing 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 year for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the New Taiwan dollar weakening 1% against the relevant currency. For a 1% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balance below would be negative.

	USD Impact		EUR Impact		HKD Impact	
	For the Year Ended		For the Year Ended		For the Year Ended	
	December 31		December 31		December 31	
	2021	2020	2021	2020	2021	2020
Profit or loss	\$ 32,694	\$ 58,142	\$ 23	\$ 55	\$ (236)	\$ (383)

b) Interest rate risk

Interest rates of the Group's bank loans are fixed and variable, and have little effect on changing in interest rates, so the Group has not engaged in any hedging activities.

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:

	<u>December 31</u>	
	2021	2020
Fair value interest rate risk		
Financial assets	\$ 2,200,214	\$ 4,566,473
Financial liabilities	967,294	737,585
Cash flow interest rate risk		
Financial assets	4,844,037	3,368,501
Financial liabilities	1,178,743	1,163,470

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. For variable interest rate assets, the analysis was prepared assuming the amount of each asset outstanding at the end of the reporting period was outstanding for the whole year.

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, 2021 and 2020 would have decreased/increased by \$3,665 thousand and \$2,205 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 in equity instruments operating in electronic industry quoted in the Taiwan Stock Exchange and Greta Securities Market.

Sensitivity analysis

The sensitivity analysis below was 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 years ended December 31, 2021 and 2020 would have increased/decreased by \$3,352 thousand and \$25,507 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 years ended December 31, 2021 and 2020 would have increased/decreased by \$2,504 thousand and \$1,929 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 resulting in a 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 amounts 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 trade receivables 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 payments 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 will use 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, 2021 and 2020, the Group had available unutilized 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 maturities for its non-derivative financial liabilities with agreed repayment periods. The table has 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 table 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, 2021

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1+ Years	Total
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 9,702,680	\$ 3,512,498	\$ 757,397	\$ 816	\$ 13,973,391
Lease liabilities	13,534	32,058	193,376	988,772	1,227,740
Variable interest rate liabilities	18	36	175,478	1,042,977	1,218,509
	<u>\$ 9,716,232</u>	<u>\$ 3,544,592</u>	<u>\$ 1,126,251</u>	<u>\$ 2,032,565</u>	<u>\$ 16,419,640</u>

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than 1 Year	1-5 years	5-10 years	10-15 years	15-20 years	20+ years
Lease liabilities	\$ 238,968	\$ 397,701	\$ 162,010	\$ 52,833	\$ 160,333	\$ 215,895
Variable interest rate liabilities	175,532	1,042,977	-	-	-	-
	<u>\$ 414,500</u>	<u>\$ 1,440,678</u>	<u>\$ 162,010</u>	<u>\$ 52,833</u>	<u>\$ 160,333</u>	<u>\$ 215,895</u>

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1+ Years	Total
<u>Non-derivative financial liabilities</u>					
Non-interest 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>

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than 1 Year	1-5 years	5-10 years	10-15 years	15-20 years	20+ years
Lease liabilities	\$ 189,769	\$ 463,414	\$ 46,119	\$ 41,101	\$ 40,039	\$ 53,090
Variable interest rate liabilities	218	1,075,602	142,911	-	-	-
	<u>\$ 189,987</u>	<u>\$ 1,539,016</u>	<u>\$ 189,030</u>	<u>\$ 41,101</u>	<u>\$ 40,039</u>	<u>\$ 53,090</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	530	(150)	-
	<u>\$ 530</u>	<u>\$ 284,668</u>	<u>\$ -</u>

c) Financing facilities

	<u>December 31</u>	
	2021	2020
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	\$ 1,218,000	\$ 1,218,000
Amount unused	<u>6,943,456</u>	<u>5,878,470</u>
	<u>\$ 8,161,456</u>	<u>\$ 7,096,470</u>

The Group does not have bank loan facilities which may be extended by mutual agreements on December 31, 2021 and 2020.

33. TRANSACTIONS WITH RELATED PARTIES

Intercompany balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated upon consolidation; therefore those items are not disclosed in this note. The following is a summary of transactions between the Company and other related parties:

a. Related party name and categories

<u>Related Party Name</u>	<u>Related Party Categories</u>
Noctilucent Systems (Shanghai) Limited	Substantial related party
Oenix Biomed Co., Ltd.	Associate
Metalligence Technology Corp. (Note)	Associate
Note:	Since November 2021, Metalligence Technology Corp. has been classified from being a subsidiary into an associate.

b. Sales

<u>Line Item</u>	<u>Related Party Name</u>	<u>December 31</u>	
		2021	2020
Sales	Oenix Biomed Co., Ltd.	<u>\$ 581</u>	<u>\$ 1,353</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. Purchases

<u>Line Item</u>	<u>Related Party Name</u>	<u>December 31</u>	
		2021	2020
Purchases	Noctilucent Systems (Shanghai) Limited	<u>\$ -</u>	<u>\$ 28</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. Operating expense

<u>Line Item</u>	<u>Related Party Name</u>	<u>December 31</u>	
		2021	2020
Operating expense	Metalligence Technology Corp.	<u>\$ 10</u>	<u>\$ -</u>

The transactions of the Group to related parties are based on the agreed terms.

e. Non-operating income and expenses

<u>Line Item</u>	<u>Related Party Name</u>	<u>December 31</u>	
		2021	2020
Other revenue	Oenix Biomed Co., Ltd.	\$ 91	\$ 91
	Metalligence Technology Corp.	<u>45</u>	<u>-</u>
		<u>\$ 136</u>	<u>\$ 91</u>

The transactions of the Group to related parties are based on the agreed terms.

f. Receivables from related parties

<u>Line Item</u>	<u>Related Party Name</u>	<u>December 31</u>	
		2021	2020
Trade receivables	Oenix Biomed Co., Ltd.	<u>\$ 39</u>	<u>\$ 376</u>
- related parties			

The Group's collection conditions for related parties are 75 days to 90 days after delivery.

g. Other receivables from related parties

Line Item	Related Party Name	December 31	
		2021	2020
Other receivables	Noctilucent Systems (Shanghai) Limited	\$ 5,666	\$ 9,799
from related parties	Metalligence Technology Corp. Oenix Biomed Co., Ltd.	3,396 <u>16</u>	- <u>16</u>
		<u>\$ 9,078</u>	<u>\$ 9,815</u>

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

h. Other payables to related parties

Line Item	Related Party Name	December 31	
		2021	2020
Other payables to related parties	Noctilucent Systems (Shanghai) Limited	\$ -	\$ 1,867

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

i. Prepayments

Line Item	Related Party Name	December 31	
		2021	2020
Prepayments to related parties	Metalligence Technology Corp.	\$ 2,282	-

j. Remuneration of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 168,241	\$ 217,696
Termination benefits	969	2,055
	<u>\$ 169,210</u>	<u>\$ 219,751</u>

The compensation to directors and other key management personnel were determined by the Compensation Committee of the Company in accordance with the individual performance and the market trends.

34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral of tariff guarantee:

	December 31	
	2021	2020
Pledged time deposits (classified as other non-current assets - other)	\$ 79,415	\$ 27,773

35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2021, the Company needed to issue a letter of guarantee from the bank to the customs for the import/export of goods amounted to \$23,000 thousand.

As of December 31, 2021, Accton Global has issued unused letters of credit as guarantee to the U.S. customs affairs, and the amount of guarantee was USD\$2,600 thousand.

As of December 31, 2021, Edgecore Networks needed to issue a letter of guarantee from the bank to the customs for the import/export of goods amounted to \$11,000 thousand.

The Company has rented the land of the Artificial Intelligence Park Phase 2 from Hsinchu County Government. The duration of the superficial right is 20 years (may be extended after expiration), and the amount of the land use right is \$310,000 thousand. As of December 31, 2021, the Company has paid \$155,000 thousand. The Company will complete the registration of superficies in March 2022, and the amount of the estimated annual rents is \$6,996 thousand.

36. SUBSEQUENT EVENTS AFTER REPORTING PERIOD

In the board of directors of the Company on March 17, 2022, the directors approved a restricted share plan for employees with a total amount of NT\$20,000 thousand, which consisted 2,000 thousand shares and the issuing price of each share was NT\$0.

In the board of directors of the Company on March 17, 2022, the directors approved the issuance of unsecured convertible bonds in Taiwan, with an aggregate principal amount of \$4,000,000 thousand, and the issue prices are \$100 thousand to \$101 thousand. The annual interest rate of the coupons issued is 0%, and the issuance period is three years.

37. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 492,440	27.68 (USD:NTD)	\$ 13,630,739
USD	125,565	4.344 (RMB:NTD)	3,475,646
		6.372 (USD:RMB)	
JPY	97,092	0.2405 (JPY:NTD)	23,351
EUR	85	31.32 (EUR:NTD)	2,662
HKD	4	4.344 (RMB:NTD)	13
		0.8170 (HKD:RMB)	
<u>Financial liabilities</u>			
Monetary items			
USD	395,590	27.68 (USD:NTD)	10,949,927
USD	104,300	4.344 (RMB:NTD)	2,887,010
		6.372 (USD:RMB)	
EUR	1	31.32 (EUR:NTD)	16
EUR	12	4.344 (RMB:NTD)	387
		7.2099 (EUR:RMB)	
HKD	6,647	4.344 (RMB:NTD)	23,589
		0.8170 (HKD:RMB)	

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial 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)	
<u>Financial liabilities</u>			
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)	

The Group is mainly exposed to the USD and the RMB. The following information was aggregated by the functional currencies of the entities in the Group, and the exchange rates between the 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

Functional Currency	2021		2020	
	Exchange Rate (Functional Currency: Presentation Currency)	Net Foreign Exchange Gain (Loss)	Exchange Rate (Functional Currency: Presentation Currency)	Net Foreign Exchange Gain (Loss)
NTD	1 (NTD:NTD)	\$ (20,500)	1 (NTD:NTD)	\$ (189,073)
RMB	4.3417 (RMB:NTD)	(24,497)	4.2827 (RMB:NTD)	(161,031)
USD	28.009 (USD:NTD)	4	29.549 (USD:NTD)	(9)
		<u>\$ (44,993)</u>		<u>\$ (350,113)</u>

38. SEPARATELY DISCLOSED ITEMS

- a. Information on 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 ventures) (Table 2)
 - 4) Marketable securities acquired and disposed of 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 (Table 4)
 - 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 5)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
 - 9) Trading in derivative instruments. (Note 7)
 - 10) Other: Intercompany relationships and significant intercompany transactions (Table 7)
 - 11) Information on investees (excluding any investee company in mainland China) (Table 8)
- 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 9)
 - 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 7)
- 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 10)
- e. The Company's shares held by its subsidiaries: The Company's shares held by its subsidiaries for investing (Note 23)

39. 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 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 revenue, 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 revenue and operating results are shown in the consolidated income statements for 2021 and 2020. The segment assets are shown in the consolidated balance sheets as of December 31, 2021 and 2020.

- b. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services:

	For the Year Ended December 31	
	2021	2020
Switch	\$ 37,504,008	\$ 38,539,208
Network Application	11,493,273	7,676,155
Metro Access Switch	7,364,562	5,120,019
Other	2,274,838	1,822,513
Wireless	962,000	1,304,977
	<u>\$ 59,598,681</u>	<u>\$ 54,462,872</u>

c. Geographical information

The Group's revenue from continuing operations from external customers by location of operations and information on its non-current assets by location of assets are detailed as follows:

	Revenue from External Customers		Non-current Assets	
	December 31		December 31	
	2021	2020	2021	2020
America	\$ 35,811,028	\$ 37,599,998	\$ 17,079	\$ 25,253
Europe	12,495,041	10,719,876	-	-
Asia	10,541,549	4,674,213	691,184	634,219
Taiwan (Company location)	659,258	1,359,693	2,301,671	1,795,000
Others	91,805	109,092	-	-
	<u>\$ 59,598,681</u>	<u>\$ 54,462,872</u>	<u>\$ 3,009,934</u>	<u>\$ 2,454,472</u>

Geographic revenue of the Group is categorized according to the areas of receivables. Non-current assets exclude long-term investments accounted for using the equity method, financial instruments and deferred tax assets.

d. Information on major customers

Single customers contributing 10% or more to the Group's revenue were as follows:

Customer	2021		2020	
	Amount	% to Total	Amount	% to Total
A	\$ 9,784,471	16	\$ 6,206,803	11
B	7,158,540	12	4,813,590	9
C	6,446,615	11	7,395,202	14

TABLE 1**ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2021
(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	\$ 1,555,295	\$ 23,000	\$ 23,000	\$ 23,000	\$ -	0.15	\$ 4,665,885	No	No	No
0	Accton Technology Corporation	Accton Global, Inc.	2	1,555,295	276,800 (USD 10,000)	276,800 (USD 10,000)	49,824 (USD 1,800)	-	1.78	4,665,885	Yes	No	No
0	Accton Technology Corporation	Joy Technology (ShenZhen) Co., Ltd.	2	1,555,295	434,150 (RMB 100,000)	434,150 (RMB 100,000)	-	-	2.79	4,665,885	Yes	No	Yes
0	Accton Technology Corporation	Accton Technology Co., Ltd.	2	1,555,295	139,300	-	-	-	-	4,665,885	Yes	No	Yes
1	Edgecore Network Corporation	Edgecore Network Corporation	1	1,216,586	11,000	11,000	11,000	-	0.90	1,216,586	No	No	No
2	Accton Global, Inc.	Accton Logistics Corporation	4	64,354	41,520 (USD 1,500)	22,144 (USD 800)	22,144 (USD 800)	-	34.41	64,354	No	No	No
3	Joy Technology (ShenZhen) Co., Ltd.	MuXi Technology Co., Ltd.	4	4,547,645	564,395 (RMB 130,000)	564,395 (RMB 130,000)	-	-	12.41	4,547,645	No	No	Yes

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, 2021

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares/Units (Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
Accton Technology Corporation	<u>Fund</u> Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss - current	982	\$ 15,011	-	\$ 15,011	Note 5
	<u>Shares</u> First Hi-Tec Enterprise Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	1,496	91,697	2%	91,697	Note 4
	Marvell Technology Inc.	-	Financial assets at fair value through other comprehensive income - current	22	52,904	-	52,904	Note 4
	Cathay financial holding Co., Ltd. - preference shares	-	Financial assets at fair value through other comprehensive income - current	830	52,207	-	52,207	Note 4
	Clientron Corp.	-	Financial assets at fair value through other comprehensive income - current	289	9,732	-	9,732	Note 6
	Cathay financial holding Co., Ltd. - preference share B	-	Financial assets at fair value through other comprehensive income - current	35	2,203	-	2,203	Note 4
	TechnoConcepts Inc.	-	Financial assets at fair value through other comprehensive income - current	597	-	-	-	Note 3
	Worldgate Communication, Inc.	-	Financial assets at fair value through other comprehensive income - non-current	3,200	-	-	-	Note 3
	Pershing Systems Corp.	-	Financial assets at fair value through profit or loss - non-current	2,631	69,219	9%	69,219	Note 3
	i Pass Corporation	-	Financial assets at fair value through profit or loss - non-current	1,140	25,759	1%	25,759	Note 3
	Linker Corporation	-	Financial assets at fair value through profit or loss - non-current	469	-	2%	-	Note 3
	Global Channel Resource Pte. Ltd.	-	Financial assets at fair value through profit or loss - non-current	500	-	7%	-	Note 3
	Wave-In Communication Inc.	-	Financial assets at fair value through profit or loss - non-current	1,138	6,850	7%	6,850	Note 3
	Stratus Medicine Inc.	-	Financial assets at fair value through profit or loss - non-current	833	-	4%	-	Note 3
	Zentera Systems, Inc.	-	Financial assets at fair value through profit or loss - non-current	400	-	3%	-	Note 3
	Xingtera technology optimizes	-	Financial assets at fair value through profit or loss - non-current	478	-	1%	-	Note 3
	Midfin Systems Inc.	-	Financial assets at fair value through profit or loss - non-current	1,084	-	4%	-	Note 3

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares/Units (Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
Accton Technology Corporation	MiTAC Information Technology Corp.	-	Financial assets at fair value through profit or loss - non-current	300	\$ -	-	\$ -	Note 3
	Clop Technologies Pte. Ltd.	-	Financial assets at fair value through profit or loss - non-current	2,000	-	9%	-	Note 3
	Acute Technology Corp.	-	Financial assets at fair value through profit or loss - non-current	2,650	-	15%	-	Note 3
	Microlinks Technology Corp.	-	Financial assets at fair value through profit or loss - non-current	138	-	2%	-	Note 3
	Peracom Networks, Inc.	-	Financial assets at fair value through profit or loss - non-current	2,931	-	-	-	Note 3
	MoBitS Electronics, Inc.	-	Financial assets at fair value through profit or loss - non-current	387	-	5%	-	Note 3
	VODTEL Communication Inc.	-	Financial assets at fair value through profit or loss - non-current	122	-	3%	-	Note 3
Accton Investment Corp.	<u>Shares</u> Accton Technology Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	2,210	50,999	-	574,565	Note 4
	Xsight Labs Ltd. - preference share D	-	Financial assets at fair value through profit or loss - non-current	125	27,680	-	27,680	Note 3
	Quantun Machines Ltd. - preference share A	-	Financial assets at fair value through profit or loss - non-current	217	30,125	1%	30,125	Note 3
	Pavilion Data Systems - preference share C	-	Financial assets at fair value through profit or loss - non-current	336	-	1%	-	Note 3
	Astera Labs, Inc. - preference share A-1	-	Financial assets at fair value through profit or loss - non-current	2,451	-	-	-	Note 3
	Astera Labs, Inc. - preference share B	-	Financial assets at fair value through profit or loss - non-current	322	-	-	-	Note 3
	Astera Labs, Inc. - preference share C	-	Financial assets at fair value through profit or loss - non-current	43	-	-	-	Note 3
	Dustphotonics, Inc. - preference share A	-	Financial assets at fair value through profit or loss - non-current	38	-	-	-	Note 3
	Dustphotonics, Inc. - preference share B	-	Financial assets at fair value through profit or loss - non-current	5	-	-	-	Note 3
	Tallac Networks, Inc.	-	Financial assets at fair value through profit or loss - non-current	254	-	-	-	Note 3
	Aspac Communications, Inc.	-	Financial assets at fair value through profit or loss - non-current	120	-	-	-	Note 3
	Kai Chieh International Investment Ltd.	-	Financial assets at fair value through profit or loss - non-current	461	-	-	-	Note 3
	MoBitS Electronics, Inc.	-	Financial assets at fair value through profit or loss - non-current	232	-	3%	-	Note 3
	Fulfillment Plus Inc.	-	Financial assets at fair value through profit or loss - non-current	500	-	2%	-	Note 3
	@Network, Inc.	-	Financial assets at fair value through profit or loss - non-current	100	-	-	-	Note 3
	Telectronics International, Inc.	-	Financial assets at fair value through profit or loss - non-current	286	-	2%	-	Note 3
	Itelco Communication, Inc. - preference shares	-	Financial assets at fair value through profit or loss - non-current	202	-	-	-	Note 3
Network Excellence For Enterprises Corp. - preference shares	-	Financial assets at fair value through profit or loss - non-current	600	-	-	-	Note 3	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note	
				Shares/Units (Thousands)	Carrying Amount	Percentage of Ownership	Fair Value		
Accton Investment Corp.	Caspain Networks, Inc.	-	Financial assets at fair value through profit or loss - non-current	2	\$ -	-	\$ -	Note 3	
	Truetel Communications Inc.	-	Financial assets at fair value through profit or loss - non-current	600	-	3%	-	Note 3	
	Voipack Corporation - preference shares	-	Financial assets at fair value through profit or loss - non-current	1,075	-	-	-	Note 3	
	Ip Unity - preference shares	-	Financial assets at fair value through profit or loss - non-current	68	-	-	-	Note 3	
	Peracom Networks, Inc.	-	Financial assets at fair value through profit or loss - non-current	2,629	-	-	-	Note 3	
	Discovery Times Ltd.	-	Financial assets at fair value through profit or loss - non-current	-	-	-	-	Note 3	
	Engim, Inc. - preference shares A	-	Financial assets at fair value through profit or loss - non-current	455	-	-	-	Note 3	
	Engim, Inc. - preference shares A-1	-	Financial assets at fair value through profit or loss - non-current	2,308	-	-	-	Note 3	
	Softfoundry International Pte. Ltd.	-	Financial assets at fair value through profit or loss - non-current	833	-	-	-	Note 3	
	MiTAC Information Technology Corp.	-	Financial assets at fair value through profit or loss - non-current	15	-	-	-	Note 3	
	E2O Communications Inc.	-	Financial assets at fair value through profit or loss - non-current	30	-	-	-	Note 3	
	<u>Bonds</u>								
	Awoo Japan - convertible bonds	-	Financial assets at fair value through profit or loss - non-current	-	8,361	-	8,361	Note 3	
Accton Century holding (BVI) Co., Ltd.	<u>Shares</u> @ Network, Inc.	-	Financial assets at fair value through profit or loss - non-current	167	-	-	-	Note 3	
	3CX Inc.	-	Financial assets at fair value through profit or loss - non-current	375	-	-	-	Note 3	
	Discovery Times Alpha Ltd.	-	Financial assets at fair value through profit or loss - non-current	-	-	-	-	Note 3	
	Telmax Communications Corp.	-	Financial assets at fair value through profit or loss - non-current	613	-	-	-	Note 3	
	Programmable Silicon Solutions	-	Financial assets at fair value through profit or loss - non-current	143	-	-	-	Note 3	
	Aviva Communications INC. - preference shares	-	Financial assets at fair value through profit or loss - non-current	30	-	-	-	Note 3	
	Conveigh Inc.	-	Financial assets at fair value through profit or loss - non-current	765	-	-	-	Note 3	
	Fortress	-	Financial assets at fair value through profit or loss - non-current	-	-	-	-	Note 3	
Accton Investment Corp.	<u>Shares</u> Zhuhai Jinfangda Technology Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	-	7,604	18%	7,604	Note 3	
Nocsys Inc.	<u>Shares</u> Noctilucent (HK) Limited	-	Financial assets at fair value through profit or loss - non-current	-	-	19%	-	Note 3	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares/Units (Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
Edgecore Networks Corp.	<u>Fund</u> Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss - current	4,733	\$ 60,000	-	\$ 60,000	Note 5
	UPAMC James Bond Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,667	45,000	-	45,000	Note 5
	Taishin Ta-Chong Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,394	20,001	-	20,001	Note 5
SMC Networks Inc.	<u>Shares</u> ALFA Network Inc.	-	Financial assets at fair value through profit or loss - non-current	969	19,547	19%	19,547	Note 3
	<u>Shares</u> Humax Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	369	41,662 (USD 1,505)	-	41,662 (USD 1,505)	Note 4
	Wedge Networks	-	Financial assets at fair value through profit or loss - non-current	250	-	1%	-	Note 3

Note 1: As of December 31, 2021 the above marketable securities have not been pledged or mortgaged.

Note 2: For information on subsidiaries and associates, refer to Tables 8 and 9.

Note 3: The market value was based on the carrying amount as of December 31, 2021.

Note 4: The market value was based on the closing price as of December 31, 2021.

Note 5: The market value was based on the net asset value of the fund as of December 31, 2021.

Note 6: The market value was based on the average quoted price as of December 31, 2021.

TABLE 3**ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount (Note)	Gain (Loss) on Disposal	Number of Shares	Amount
Accton Technology Corporation	Yunta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	15,078	\$ 230,017	13,099	\$ 200,000	27,195	\$ 415,166	\$ 415,000	\$ 166	982	\$ 15,011

Note: The disposal cost represents acquisition cost.

TABLE 4**ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Previous Transaction of Related Counter-party				Pricing Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
Accton Technology Corporation	Right-of-use assets-land	March 25, 2021 (Note)	\$ 380,751 (Note)	Based on the terms in the contract	Hsinchu Country Government	-	Not applicable	Not applicable	Not applicable	\$ -	Bid price	Operating purpose	-

Note: The Company recognized the right-of-use asset at the commencement date on April 30, 2021, and calculated the right-of-use asset by using the discount rate in accordance with the lease terms of 40 years.

TABLE 5**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, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/ Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Accton Technology Corporation	Joy Technology (Shenzhen) Co., Ltd.	Indirect subsidiary	Purchase	\$ 14,263,241	30	75 days after the delivery date	Specified at each transaction	75 days after the delivery date	\$ (3,383,679)	29	-
	Accton Global, Inc.	Subsidiary	Sale	8,113,328	14	75 days after the delivery date	Specified at each transaction	75 days after the delivery date	2,913,782	28	-
	Edgecore Networks Corporation	Subsidiary	Sale	1,817,580	3	75 days after the delivery date	Specified at each transaction	75 days after the delivery date	105,248	1	-
Joy Technology (Shenzhen) Co., Ltd.	MuXi Technology Co., Ltd.	Held by the same ultimate holding company	Sale	5,437,892	9	Monthly 45 days	Specified at each transaction	Monthly 45 days	2,021,430	20	-
	Accton Technology Co., Ltd.	Held by the same ultimate holding company	Sale	1,067,179	2	75 days after the delivery date	Specified at each transaction	75 days after the delivery date	1,386,217	13	-
Edgecore Networks Corporation	Edgecore Americas Networking Corp.	Subsidiary	Sale	1,085,756	2	75 days after the invoice date	Specified at each transaction	75 days after the invoice date	550,346	5	-
Accton Technology Co., Ltd.	MuXi Technology Co., Ltd.	Subsidiary	Sale	137,400	-	Monthly 45 days	Specified at each transaction	Monthly 45 days	11,505	-	-

TABLE 6**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, 2021****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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	\$ 2,914,672	2.23	\$ 1,429,525	Strengthen collection	\$ 839,414	\$ -
	Joy Technology (Shenzhen) Co., Ltd.	Indirect subsidiary	503,154	Note 2	-	-	-	-
	Edgecore Networks Corporation	Subsidiary	109,614	14.56	-	-	-	-
Joy Technology (Shenzhen) Co., Ltd.	Accton Technology Corporation	Ultimate parent company	3,387,367	3.32	507,929	Strengthen collection	507,929	-
	MuXi Technology Co., Ltd.	Held by the same ultimate holding company	2,021,430	5.34	42,668	Strengthen collection	42,668	-
	Accton Technology Co., Ltd.	Held by the same ultimate holding company	1,386,217	1.17	997,373	Strengthen collection	997,373	-
Edgecore Networks Corporation	Edgecore Americas Networking Corp.	Subsidiary	552,007	2.06	156,517	Strengthen collection	-	-
Accton Technology Co., Ltd.	Joy Technology (Shenzhen) Co., Ltd.	Held by the same ultimate holding company	1,917,455	0.02	-	-	-	-
MuXi Technology Co., Ltd.	Joy Technology (Shenzhen) Co., Ltd.	Held by the same ultimate holding company	371,866	Note 2	-	-	-	-

Note 1: The calculation of turnover days excludes other receivables.

Note 2: The ending balance is primarily consisted of other receivables, which is not applicable for the calculation of turnover days.

Note 3: Receivables from related parties include trade receivables from related parties and other receivables from related parties.

TABLE 7

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

FOR THE YEARS ENDED DECEMBER 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Counterparty	Nature of Relationship (Note 3)	Intercompany Transactions			Percentage of Consolidated Net Revenue or Total Assets
			Financial Statements Items	Amount	Terms	
Accton Technology Corporation	Accton Global, Inc.	1	Sales	\$ 8,113,328	Note 1	14%
	Edgecore Networks Corporation	1	Sales	1,817,580	Note 1	3%
	Accton Logistics Corp.	1	Sales	75,409	Note 1	-
	SMC Networks Inc.	1	Sales	53,957	Note 1	-
	ATAN NetworKs Co., Ltd.	1	Sales	5,496	Note 1	-
	Joy Technology (Shenzhen) Co., Ltd.	1	Sales	3,242	Note 1	-
	Joy Technology (Shenzhen) Co., Ltd.	1	Purchases and processing	14,263,241	Note 1	24%
	Edgecore Networks Corporation	1	Purchases and processing	22,291	Note 1	-
	SMC Networks Inc.	1	Purchases and processing	21,600	Note 1	-
	Accton Technology Co., Ltd.	1	Purchases and processing	3,854	Note 1	-
	Edgecore Americas Networking Corp.	1	Purchases and processing	3,341	Note 1	-
	Accton Logistics Corp.	1	Purchases and processing	3,336	Note 1	-
	Accton Technology Corp. USA	1	Operating expenses	121,883	Note 1	-
	Accton Global, Inc.	1	Trade receivables from related parties	2,913,782	Note 2	8%
	Edgecore Networks Corporation	1	Trade receivables from related parties	105,248	Note 2	-
	Accton Logistics Corp.	1	Trade receivables from related parties	39,299	Note 2	-
	ATAN NetworKs Co., Ltd.	1	Trade receivables from related parties	5,474	Note 2	-
	SMC Networks Inc.	1	Trade receivables from related parties	4,260	Note 2	-
	Joy Technology (Shenzhen) Co., Ltd.	1	Other receivables from related parties	503,154	Note 2	1%
	Edgecore Networks Corporation	1	Other receivables from related parties	4,366	Note 2	-
Joy Technology (Shenzhen) Co., Ltd.	1	Trade payables to related parties	3,383,679	Note 1	10%	
Accton Technology Corp. USA	1	Other payables to related parties	120,738	Note 1	-	
Edgecore Networks Corporation	1	Other payables to related parties	11,997	Note 1	-	
Joy Technology (Shenzhen) Co., Ltd.	1	Other payables to related parties	3,688	Note 1	-	
Joy Technology (Shenzhen) Co., Ltd.	MuXi Technology Co., Ltd.	3	Sales	5,437,892	Note 1	9%
	Accton Technology Co., Ltd.	3	Sales	1,067,179	Note 1	2%
	MuXi Technology Co., Ltd.	3	Purchases and processing	202,243	Note 1	-
	Accton Technology Co., Ltd.	3	Purchases and processing	14,916	Note 1	-
	Accton Technology Co., Ltd.	3	Operating expenses	50,349	Note 1	-
	MuXi Technology Co., Ltd.	3	Trade receivables from related parties	2,021,430	Note 1	6%
	Accton Technology Co., Ltd.	3	Trade receivables from related parties	1,386,217	Note 1	4%
	Accton Technology Co., Ltd.	3	Trade payables to related parties	1,917,455	Note 1	5%
	MuXi Technology Co., Ltd.	3	Trade payables to related parties	371,866	Note 1	1%
	Edgecore Networks Corporation	3	Other payables to related parties	9,745	Note 1	-
Edgecore Networks Corporation	Edgecore Americas Networking Corp.	3	Sales	1,085,756	Note 1	2%
	ATAN NetworKs Co., Ltd.	3	Sales	48,267	Note 1	-
	Edgecore Americas Networking Corp.	3	Operating expenses	36,721	Note 1	-

(Continued)

Company Name	Counterparty	Nature of Relationship (Note 3)	Intercompany Transactions			Percentage of Consolidated Net Revenue or Total Assets
			Financial Statements Items	Amount	Terms	
Edgecore Networks Corporation	Edgecore Networks Singapore Pte. Ltd.	3	Operating expenses	\$ 25,556	Note 1	-
	Edgecore Americas Networking Corp.	3	Trade receivables from related parties	550,346	Note 1	2%
	ATAN NetworKs Co., Ltd.	3	Trade receivables from related parties	24,079	Note 1	-
Accton Technology Co., Ltd.	Edgecore Americas Networking Corp.	3	Other payables to related parties	3,065	Note 1	-
	MuXi Technology Co., Ltd.	3	Sales	137,400	Note 1	-
	ATAN NetworKs Co., Ltd.	3	Sales	14,194	Note 1	-
	ATAN NetworKs Co., Ltd.	3	Trade receivables from related parties	37,126	Note 1	-
	MuXi Technology Co., Ltd.	3	Trade receivables from related parties	11,505	Note 1	-

Note 1: Intercompany transactions between the Company and its subsidiaries are based on the agreed terms; therefore, there is no appropriate transaction object to compare.

Note 2: Transaction settlement was from 60 to 90 days after the product is shipped from the point of departure.

Note 3: No. 1 represents the transaction between the parent company and its subsidiary.

No. 3 represents the transaction between the subsidiaries.

(Concluded)

TABLE 8**ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**INFORMATION ON INVESTEEES (EXCLUDING ANY INVESTEEES COMPANY IN MALNLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2021			Net Income (Loss) of the Investee	Investment Gain (Loss) Recognized	Note
				December 31, 2021	December 31, 2020	Number of Shares (Thousands)	% of Ownership	Carrying Amount			
Accton Technology Corporation	Accton Century Holding (BVI) Co., Ltd.	British Virgin Islands	Investment holding company	\$ 1,664,416	\$ 1,664,416	51,973	100	\$4,635,365	\$ 240,378	\$ 266,182	Notes 1 and 2
	Edgecore Networks Corporation	Hsinchu	Research, development, design and manufacture of switching hubs	650,000	650,000	50,000	100	1,203,716	225,028	225,028	Note 1
	SMC Networks Inc.	USA	Sale of network products	769,644	769,644	24,149	100	110,759	(22,411)	(22,411)	Note 1
	Accton Technology (China) Co., Ltd.	Cayman Islands	Investment holding company	279,635	279,635	6,600	100	49,899	(42,401)	(42,401)	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	166,158	1,760	1,760	Note 1
	Accton Investment Corp.	British Virgin Islands	Investment holding company	79,676	79,676	1,004	100	270,165	142,682	128,328	Note 1
	Accton Logistics Corp.	USA	Selling and marketing of high-quality LAN hardware and software products	89,267	89,267	1	100	99,364	1,319	1,319	Note 1
	Accton Global, Inc.	USA	Selling and marketing of high-quality LAN hardware and software products	35,316	35,316	10	100	(32,037)	9,682	9,682	Note 1
	Nocsys Inc.	Cayman Islands	Investment holding company	199,434	199,434	50,000	100	2,645	(75)	(75)	Note 1
	E-Direct Corp.	Taipei	Provides services in information software and information technology	43,075	43,075	3,852	100	82,596	21,082	21,082	Note 1
	Metalligence Technology Corp.	Hsinchu	Provides e-commerce apps, information software and advertising services	5,000	46,407	50	20	-	(4,793)	(3,521)	Notes 1, 3 and 6
	Oenix Biomed Co., Ltd.	Taipei	Research and development of health care services and equipment	20,000	20,000	2,000	40	11,526	(3,508)	(1,403)	Note 1
	4ipnet, Inc.	Taipei	Research, development, manufacture and selling of wireless products and solutions for enterprises	-	50,000	-	-	-	(3)	(3)	Notes 1 and 4
Accton Century Holding (BVI) Co., Ltd.	Accton Asia Investment Corp.	British Virgin Islands	Investment holding company	1,165,494 (USD 42,106)	1,165,494 (USD 42,106)	42,106	100	4,573,316	261,283	261,283	Note 1
Accton Investment Corp.	Alpha Telecom, Inc.	USA	Sale and manufacture of Communication transmission, VoIP and IDSN equipment	-	6,920 (USD 250)	-	-	-	-	-	Note 7

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2021			Net Income (Loss) of the Investee	Investment Gain (Loss) Recognized	Note
				December 31, 2021	December 31, 2020	Number of Shares (Thousands)	% of Ownership	Carrying Amount			
Edgecore Networks Corp.	Edgecore Networks Singapore Pte. Ltd.	Singapore	Sell high-quality LAN hardware and software products	\$ 22,466	\$ 22,466	3,557	100	\$ 24,684	\$ 1,718	\$ 1,718	Note 1
	Edgecore Cayman, Corp.	Cayman Islands	Investment holding company	30,285	30,285	1,000	100	29,611	22,431	22,431	Note 1
	Horwood Limited	Cayman Islands	Investment holding company	-	6,868	-	-	-	(283)	(283)	Notes 1 and 5
Edgecore Cayman Corp.	Edgecore Americas Networking Corp.	USA	Sell high-quality LAN hardware and software products	277	277	10	100	(8,800)	23,859	23,859	Note 1
				(USD 10)	(USD 10)						

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: 4ipnet, Inc. completed its liquidation in May 2021.

Note 5: Horwood Limited completed its liquidation in December 2021.

Note 6: In November 2021, the board of directors resolved a capital reduction of 45,907 thousand to make up for losses and eliminated 4,591 thousand shares. In the same month, the board of directors resolved a cash capital increase of 200 thousand shares with a par value of \$10 for a consideration of financial structures. The Company did not acquire the shares, and the ownership percentage of the Company decreased from 100% to 20%.

Note 7: Alpha Telecom, Inc. completed its liquidation in December 2021.

(Concluded)

TABLE 9

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021
(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, 2021 (Note 2)	Investment Flows		Accumulated Outflow Remittance for Investment from Taiwan as of December 31, 2021 (Note 2)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021	Note
					Outflow	Inflow							
Joy Technology (Shenzhen) Co., Ltd.	Selling and producing of high-end networks switches	\$ 1,231,760 (USD 44,500)	Note 1	\$ 567,440 (USD 20,500)	\$ -	\$ -	\$ 567,440 (USD 20,500)	\$ 269,636	100%	\$ 269,636	\$ 4,547,645	\$ 456,720 (USD 16,500)	Note 3
Accton Technology Co., Ltd.	Selling and marketing of network products	166,080 (USD 6,000)	Note 1	166,080 (USD 6,000)	-	-	166,080 (USD 6,000)	(42,218)	100%	(42,218)	43,540	-	Note 3
Noctilucent Systems (Shanghai) Limited	Development, design and manufacture of software, selling product and consultation and service of technique	138,400 (USD 5,000)	Note 1	181,775 (USD 6,567)	-	-	181,775 (USD 6,567)	-	-	-	-	-	Notes 5 and 8
ATAN NetworKs Co., Ltd.	Selling and marketing of network products	85,808 (USD 3,100)	Note 10	55,360 (USD 2,000)	30,448 (USD 1,100)	-	85,808 (USD 3,100)	(5,382)	100%	(5,382)	10,689	-	Note 3 and 10
MuXi Technology Co., Ltd.	Selling and marketing of network products	4,342 (RMB 1,000)	Note 11	-	-	-	-	13,073	100%	13,073	17,734	-	Notes 3 and 11

Investee Company	Accumulated Investment in Mainland China as of December 31, 2021 (USD in Thousands)	Investment Amounts Authorized by the Investment Commission, MOEA (USD in Thousands)	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
Joy Technology (Shenzhen) Co., Ltd.	USD 20,500	USD 44,500 (Note 4)	\$ 9,331,771
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 3,100	USD 3,500	
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, 2021.

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 Edgecore Networks Corporation directly. Since the Company had organization restructuring in December 2021, Joy Technology (Shenzhen) Co., Ltd. will invest in mainland China directly.

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

TABLE 10

ACCTON TECHNOLOGY CORPORATION

**INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Jinjiemin Co., Ltd.	45,113,765	8.05

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, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, 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, 2021. 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.

Key audit matters for the Company's financial statements for the year ended December 31, 2021 are stated as follows:

Revenue recognition

For the year ended December 31, 2021, the Company's net operating revenue was NT\$49,319,186 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 have grown significantly compared to 2020. 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.

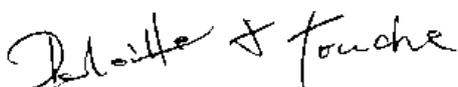
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2021 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 Ming Yuan Chung.



Deloitte & Touche
Taipei, Taiwan
Republic of China

March 17, 2022

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, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 30)	\$ 2,437,668	7	\$ 2,302,876	7
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 30)	15,011	-	1,915,657	6
Financial assets at fair value through other comprehensive income - current (Notes 4, 8 and 30)	208,743	1	136,947	-
Financial assets at amortized cost - current (Notes 4, 9 and 30)	324,966	1	2,824,364	9
Notes and trade receivables, net (Notes 4, 5 and 10)	6,443,807	20	6,426,497	20
Receivables from related parties (Notes 4, 5 and 31)	3,036,042	9	4,385,603	14
Other receivables, net (Notes 4 and 10)	334,954	1	286,027	1
Other receivables from related parties (Notes 4 and 31)	508,864	2	455,781	1
Inventories (Notes 4, 5 and 11)	10,202,350	31	5,440,371	17
Prepayments (Notes 16 and 31)	152,821	-	133,637	-
Other current assets (Note 16)	3,247	-	4,940	-
Total current assets	<u>23,668,473</u>	<u>72</u>	<u>24,312,700</u>	<u>75</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 30)	101,828	-	95,301	-
Investments accounted for using the equity method (Notes 4, 12 and 31)	6,632,193	20	6,227,319	19
Property, plant and equipment (Notes 4, 13 and 31)	1,104,885	4	1,132,928	4
Right-of-use assets (Notes 4 and 14)	791,669	3	477,705	2
Intangible assets (Notes 4, 15 and 31)	82,552	-	70,933	-
Deferred income tax assets (Notes 4 and 24)	19,425	-	74,915	-
Prepayments for equipment	21,133	-	19,573	-
Refundable deposits (Note 30)	36,593	-	41,826	-
Other non-current assets-other (Notes 16, 32 and 33)	234,415	1	27,773	-
Total non-current assets	<u>9,024,693</u>	<u>28</u>	<u>8,168,273</u>	<u>25</u>
TOTAL	<u>\$ 32,693,166</u>	<u>100</u>	<u>\$32,480,973</u>	<u>100</u>

ACCTON TECHNOLOGY CORPORATION

BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	2021		2020	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Contract liabilities - current (Notes 4 and 22)	\$ 798,098	3	\$ 914,356	3
Trade payables (Note 30)	7,034,961	22	5,786,272	18
Trade payables to related parties (Notes 30 and 31)	3,383,679	10	5,204,304	16
Accrued compensation of employees and remuneration of directors (Note 23)	916,243	3	852,827	3
Payables to contractors and equipment suppliers (Note 30)	72,956	-	79,927	-
Other payables (Note 18)	1,639,739	5	1,896,544	6
Other payables to related parties (Note 31)	141,982	-	150,679	-
Income tax payable (Notes 4 and 24)	1,075,238	3	1,295,338	4
Provisions - current (Notes 4 and 19)	99,322	-	81,224	-
Lease liabilities - current (Notes 4 and 14)	113,482	-	91,079	-
Deferred revenue - current (Notes 17 and 27)	11,075	-	11,075	-
Long-term borrowings - current portion (Notes 17 and 27)	175,325	1	-	-
Refund liabilities - current (Note 22)	37,900	-	16,605	-
Total current liabilities	<u>15,500,000</u>	<u>47</u>	<u>16,380,230</u>	<u>50</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 17 and 27)	1,003,418	3	1,163,470	4
Lease liabilities - non-current (Notes 4 and 14)	569,180	2	378,908	1
Deferred revenue - non-current (Notes 17 and 27)	37,019	-	48,094	-
Net defined benefit liabilities - non-current (Notes 4 and 20)	29,782	-	29,115	-
Guarantee deposits (Note 30)	816	-	816	-
Total non-current liabilities	<u>1,640,215</u>	<u>5</u>	<u>1,620,403</u>	<u>5</u>
Total liabilities	<u>17,140,215</u>	<u>52</u>	<u>18,000,633</u>	<u>55</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 21 and 26)				
Share capital				
Ordinary shares	<u>5,599,204</u>	<u>17</u>	<u>5,594,564</u>	<u>17</u>
Capital surplus	<u>843,580</u>	<u>3</u>	<u>824,883</u>	<u>3</u>
Retained earnings				
Legal reserve	2,347,651	7	1,843,206	6
Special reserve	473,221	2	538,244	1
Unappropriated earnings	<u>6,834,835</u>	<u>21</u>	<u>6,203,663</u>	<u>19</u>
Total retained earnings	<u>9,655,707</u>	<u>30</u>	<u>8,585,113</u>	<u>26</u>
Other equity	<u>(494,541)</u>	<u>(2)</u>	<u>(473,221)</u>	<u>(1)</u>
Treasury shares	<u>(50,999)</u>	<u>-</u>	<u>(50,999)</u>	<u>-</u>
Total equity	<u>15,552,951</u>	<u>48</u>	<u>14,480,340</u>	<u>45</u>
TOTAL	<u>\$ 32,693,166</u>	<u>100</u>	<u>\$ 32,480,973</u>	<u>100</u>

ACCTON TECHNOLOGY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 22 and 31)	\$ 49,319,186	100	\$ 51,270,498	100
OPERATING COSTS (Notes 4, 11, 20, 23 and 31)	<u>40,679,451</u>	<u>83</u>	<u>41,613,889</u>	<u>81</u>
GROSS PROFIT	8,639,735	17	9,656,609	19
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Note 4)	<u>348,483</u>	<u>1</u>	<u>(189,840)</u>	<u>(1)</u>
REALIZED GROSS PROFIT	<u>8,988,218</u>	<u>18</u>	<u>9,466,769</u>	<u>18</u>
OPERATING EXPENSES (Notes 4, 10, 20, 23, 31 and 34)				
Selling and marketing	1,015,506	2	973,777	2
General and administrative	1,291,755	2	1,145,101	2
Research and development	1,832,719	4	1,591,873	3
Expected credit loss	<u>45</u>	<u>-</u>	<u>9,934</u>	<u>-</u>
Total operating expenses	<u>4,140,025</u>	<u>8</u>	<u>3,720,685</u>	<u>7</u>
OPERATING INCOME	<u>4,848,193</u>	<u>10</u>	<u>5,746,084</u>	<u>11</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 12, 23 and 31)				
Interest income	14,660	-	61,338	-
Other income	120,256	1	98,986	-
Other gains and losses	56,267	-	(112,737)	-
Finance costs	(31,284)	-	(28,635)	-
Share of profit of subsidiaries and associates	<u>583,567</u>	<u>1</u>	<u>340,197</u>	<u>1</u>
Total non-operating income and expenses	<u>743,466</u>	<u>2</u>	<u>359,149</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	5,591,659	12	6,105,233	12
INCOME TAX EXPENSE (Notes 4 and 24)	<u>886,600</u>	<u>2</u>	<u>1,056,880</u>	<u>2</u>
NET INCOME FOR THE YEAR	<u>4,705,059</u>	<u>10</u>	<u>5,048,353</u>	<u>10</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 20 and 21)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(1,527)	-	(3,907)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	32,033	-	13,712	-
Share of the other comprehensive (loss) income of subsidiaries accounted for using the equity method	(10,464)	-	13,042	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>(39,289)</u>	<u>-</u>	<u>38,269</u>	<u>-</u>
Other comprehensive (loss) income for the year, net of income tax	<u>(19,247)</u>	<u>-</u>	<u>61,116</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 4,685,812</u>	<u>10</u>	<u>\$ 5,109,469</u>	<u>10</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 8.44</u>		<u>\$ 9.07</u>	
Diluted	<u>\$ 8.36</u>		<u>\$ 8.98</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, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company								
	Share Capital	Capital Surplus	Retained Earnings			Other Equity		Treasury Shares	Total
			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, 2020	\$ 5,580,514	\$ 805,715	\$ 1,348,157	\$ 307,492	\$ 5,347,752	\$ (492,608)	\$ (45,636)	\$ (50,999)	\$ 12,800,387
Adjustments to capital surplus due to the distribution of cash dividends to subsidiaries	-	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 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
Adjustments to capital surplus due to the distribution of cash dividends to subsidiaries	-	14,354	-	-	-	-	-	-	14,354
Changes in percentage of ownership interests in subsidiaries	-	2,604	-	-	-	-	-	-	2,604
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	3,600	-	(3,600)	-	-
Appropriation of 2020 earnings									
Legal reserve	-	-	504,445	-	(504,445)	-	-	-	-
Special reserve	-	-	-	(65,023)	65,023	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(3,636,538)	-	-	-	(3,636,538)
Net profit for the year ended December 31, 2021	-	-	-	-	4,705,059	-	-	-	4,705,059
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(1,527)	(39,289)	21,569	-	(19,247)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	4,703,532	(39,289)	21,569	-	4,685,812
Share-based payment arrangements	4,640	1,739	-	-	-	-	-	-	6,379
BALANCE AT DECEMBER 31, 2021	\$ 5,599,204	\$ 843,580	\$ 2,347,651	\$ 473,221	\$ 6,834,835	\$ (493,628)	\$ (913)	\$ (50,999)	\$ 15,552,951

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

ACCTON TECHNOLOGY CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 5,591,659	\$ 6,105,233
Adjustments for:		
Depreciation expense	496,306	399,201
Amortization expense	36,197	35,318
Expected credit loss	45	9,934
Net gain on financial assets at fair value through profit or loss	(49,449)	(10,968)
Finance costs	31,284	28,635
Interest income	(14,660)	(61,338)
Dividend income	(9,003)	(8,138)
Dividends received from investments accounted for using equity method	163,037	513,662
Share of profit of subsidiaries and associates	(583,567)	(340,197)
Loss (gain) on disposal of property, plant and equipment, net	10	(326)
Write-down (reversal) of inventories	7,381	(36,410)
(Realized) unrealized gain on the transactions with subsidiaries	(348,483)	189,840
Unrealized loss (gain) on foreign currency exchange	71,032	(46,734)
Amortization of grant revenue	(11,075)	(10,761)
Gain on lease modification	(212)	-
Changes in operating assets and liabilities		
Notes and trade receivables, net	36,028	(2,255,387)
Trade receivables from related parties	1,736,977	(817,980)
Other receivables	(39,248)	(215,102)
Other receivables from related parties	(48,191)	584,030
Inventories	(4,769,360)	(344,435)
Prepayments	(19,184)	(30,647)
Other current assets	(49,949)	(4,527)
Contract liabilities	(116,258)	371,630
Trade payables	1,189,442	981,266
Trade payables to related parties	(1,920,290)	(1,830,862)
Other payables	(244,228)	304,064
Other payables to related parties	(11,909)	(14,116)
Provisions	18,098	36,844
Refund liabilities	21,295	13,426
Net defined benefit liabilities	(860)	(1,601)
Cash generated from operations	1,162,865	3,543,554
Interest paid	(16,001)	(13,225)
Income tax paid	(1,051,210)	(539,809)
Net cash generated from operating activities	<u>95,654</u>	<u>2,990,520</u>

(Continued)

ACCTON TECHNOLOGY CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ (46,147)	\$ -
Proceeds from sale of financial assets at fair value through other comprehensive income	6,384	-
Purchase of financial assets at amortized cost	(5,781,620)	(9,608,934)
Proceeds from sale of financial assets at amortized cost	8,287,451	10,887,962
Purchase of financial assets at fair value through profit or loss	(460,000)	(3,890,000)
Proceeds from sale of financial assets at fair value through profit or loss	2,403,568	2,294,973
Acquisition of property, plant and equipment	(346,123)	(526,466)
Proceeds from disposal of property, plant and equipment	444	1,056
Decrease (increase) in refundable deposits	5,233	(17,776)
Acquisition of intangible assets	(47,816)	(56,988)
Acquisition of right-of-use assets	(155,000)	-
Interest received	7,519	68,279
Dividends received	<u>9,003</u>	<u>8,138</u>
Net cash generated from (used in) investing activities	<u>3,882,896</u>	<u>(839,756)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	600,000	2,700,000
Repayments of short-term borrowings	(600,000)	(2,700,000)
Proceeds from long-term borrowings	-	345,000
Repayments of long-term borrowings	-	(100,000)
Repayment of the principal portion of lease liabilities	(232,523)	(99,095)
Dividends paid to owners of the Company	(3,636,538)	(3,462,734)
Employee share options	<u>6,379</u>	<u>17,535</u>
Net cash used in financing activities	<u>(3,862,682)</u>	<u>(3,299,294)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>18,924</u>	<u>68,906</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	134,792	(1,079,624)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,302,876</u>	<u>3,382,500</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,437,668</u>	<u>\$ 2,302,876</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, 2021 AND 2020 (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 have been listed on the Taiwan Stock Exchange since November 1995. The functional currency of the Company is the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on March 17, 2022.

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 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: 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.

Note 2: 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 3: 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 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company’s financial position and financial performance.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	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 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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 will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: 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.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the 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.

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 and associates. 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 financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the 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 Company'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 denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is 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 item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting parent company only financial statements, the financial statements of the Company's foreign operations (including subsidiaries and associates in other countries) that are prepared using functional currencies which are 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; and 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 the 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 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, work-in-progress, finished goods and merchandise 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 at 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 is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

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 loss, if any.

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 and losses resulting from downstream transactions are eliminated in full only in the Company's parent company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized in the Company's parent company only 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 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. 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 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, 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 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.

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's parent company only financial statements only to the extent of interests in the associate that are not related to the Company.

h. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation of 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 methods 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 lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates 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

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 on 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 the Company 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 issuance 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 categories

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, and any dividends or interest earned on such financial assets are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. 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.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes and trade receivables measured at amortized cost (including related parties), other receivables (including 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.

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 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 Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

l. Provisions

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

Warranties

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

m. Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied. The 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. Leases

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 by 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 lessee's incremented borrowing rate will be used.

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 other income 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 services.

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. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) 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. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plans. 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 capital surplus-employee share options. The expense is recognized in full at the grant date if the grants are vested immediately.

At the end of each reporting period, the Company revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to 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 Act 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 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 recognized only 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 such temporary differences 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 liabilities are settled or the assets are 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 on 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 possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future years.

Key Sources of Estimation Uncertainty

a. Estimated impairment of financial assets

The provision for impairment of trade receivables is based on assumptions on probability of default and loss given default. 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 in the sale of product 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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Cash on hand	\$ 635	\$ 711
Checking accounts and demand deposits	1,434,552	1,321,953
Cash equivalents		
Time deposits with original maturities of less than 3 months	700,681	524,532
Repurchase agreements collateralized by bonds	<u>301,800</u>	<u>455,680</u>
	<u>\$ 2,437,668</u>	<u>\$ 2,302,876</u>

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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Bank balance	0.001%-2.650%	0.001%-0.350%
Repurchase agreements collateralized by bonds	0.180%-0.300%	0.400%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	<u>\$ 15,011</u>	<u>\$ 1,915,657</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>\$ 101,828</u>	<u>\$ 95,301</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Domestic and foreign investments		
Listed shares and emerging market shares	\$ <u>208,743</u>	\$ <u>136,947</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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Time deposits with original maturity of more than 3 months	\$ <u>324,906</u>	\$ <u>2,824,364</u>

The ranges of interest rates for time deposits with original maturities of more than 3 months were 0.170%-0.765% and 0.190%-1.760% per annum as of December 31, 2021 and 2020, respectively.

Refer to Note 30 for information relating to the credit risk management and impairment of investments in financial assets at amortized cost.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Notes receivable</u>		
Notes receivable - operating	\$ _____ -	\$ _____ 4
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 6,445,377	\$ 6,428,018
Less: Allowance for impairment loss	<u>(1,570)</u>	<u>(1,525)</u>
	<u>\$ 6,443,807</u>	<u>\$ 6,426,493</u>
<u>Other receivables</u>		
At amortized cost		
Gross carrying amount	\$ 338,000	\$ 289,073
Less: Allowance for impairment loss	<u>(3,046)</u>	<u>(3,046)</u>
	<u>\$ 334,954</u>	<u>\$ 286,027</u>

a. Notes and trade receivables

The average credit period of sales of goods is 30 days, and some customers have credit period of 45 to 90 days after the end of the month. No interest is charged on trade receivables. The Company adopted a policy to obtain sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company uses other publicly available financial information or its own trading records to rate its major customers.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix approach considering the past default experience of the customer, the customer's current financial position, as well as the economic condition of the industry in which the customer operates. The Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base. The Company estimates expected credit losses based on the number of days for which receivables are past due.

The Company writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation. 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, 2021

	Not Past Due	1 to 60 Days Past Due	61 to 180 Days Past Due	Over 180 Days Past Due	Total
Gross carrying amount	\$ 6,415,375	\$ 30,002	\$ -	\$ -	\$ 6,445,377
Loss allowance (Lifetime ECLs)	-	(1,570)	-	-	(1,570)
Amortized cost	<u>\$ 6,415,375</u>	<u>\$ 28,432</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,443,807</u>

December 31, 2020

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

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

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 1,525	\$ 1,525
Add: Amounts provisioned	45	9,934
Less: Amounts written off	-	(9,934)
Balance at December 31	<u>\$ 1,570</u>	<u>\$ 1,525</u>

b. Other receivables

The average credit period of sales of goods is 30 days, and some customers have credit period of 30 to 45 days after the end of the month. No interest is charged on other receivables. The Company adopted a policy to obtain sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company uses other publicly available financial information or its own trading records to rate its major customers.

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

	For the Year Ended December 31	
	2021	2020
Balance at January 1 and December 31	<u>\$ 3,046</u>	<u>\$ 3,046</u>

As of December 31, 2021 and 2020, 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	
	2021	2020
Merchandise	\$ 325,410	\$ 784,455
Finished goods	927,339	443,408
Work in progress	736,374	653,810
Raw materials	8,213,227	3,558,698
	<u>\$ 10,202,350</u>	<u>\$ 5,440,371</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 was \$40,679,451 thousand and \$41,613,889 thousand, respectively. The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 consisted an inventory write-down of \$7,381 thousand and a reversal of write-down of \$36,410 thousand.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

a. Investments in subsidiaries

	December 31	
	2021	2020
Accton Century Holding (BVI) Co., Ltd.	\$ 4,635,365	\$ 4,390,922
Edgecore Networks Corp.	1,203,716	1,117,402
Accton Investment Corp.	270,165	127,483
Accton Technology Corp. USA	166,158	169,173
SMC Networks Inc.	110,759	147,303
Accton Logistics Corp.	99,364	82,701
E-Direct Corp.	82,596	79,926
		(Concluded)

	December 31	
	2021	2020
Accton Technology (China) Co., Ltd.	\$ 49,899	\$ 93,236
Nocsys Inc.	2,645	2,720
Metalligence Technology Corp.	-	3,521
4ipnet, Inc.	-	3
Accton Global, Inc.	<u>(32,037)</u>	<u>(363,381)</u>
	6,588,630	5,851,009
Add: Trade receivables from related parties	<u>32,037</u>	<u>363,381</u>
	<u>\$ 6,620,667</u>	<u>\$ 6,214,390</u>

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

Name of Subsidiary	Proportion of Ownership and Voting Rights	
	December 31	
	2021	2020
Accton Century Holding (BVI) Co., Ltd.	100%	100%
Edgecore Networks Corp.	100%	100%
Accton Investment Corp.	100%	100%
Accton Technology Corp. USA	100%	100%
SMC Networks Inc.	100%	100%
Accton Logistics Corp.	100%	100%
E-Direct Corp.	100%	100%
Accton Technology (China) Co., Ltd.	100%	100%
Nocsys Inc.	100%	100%
Accton Global, Inc.	100%	100%
Metalligence Technology Corp. (Note)	-	100%
4ipnet, Inc.	-	98%

Note: Since November 2021, Metalligence Technology Corp. has been classified a 100% subsidiary into an associate.

In May 2021, 4ipnet, Inc. completed its liquidation procedures.

In order to improve its financial structure and replenish the operating capital, Metalligence Technology Corp., the subsidiary of the Company, approved a capital reduction project for the make-up of losses in the amount of \$45,907 thousand on November 2, 2021. Also, Metalligence Technology Corp. approved the issuance of shares in the amount of \$2,000 thousand on November 11, 2021. The Company did not subscribe for additional new shares of Metalligence Technology Corp. As a result, its continuing ownership interest was reduced from 100% to 20%, and resulted the Company to lose control over Metalligence Technology Corp. Therefore, Metalligence Technology Corp. has been classified from being a subsidiary into an associate.

When the Company's loss from investments, which were accounted for using equity method, in subsidiary exceeds the equity in the subsidiary, Accton Global Inc., the Company continues to recognize the loss based on the shareholding ratio. As of December 31, 2021 and 2020, the investment credits using the equity method, which were transferred to accounts receivable-related parties reduction, were \$32,037 thousand and \$363,381 thousand, respectively.

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, 2021 and 2020 were calculated based on the financial statements of the investee companies which have been audited.

b. Investments in associates

	December 31	
	2021	2020
Oenix Biomed Co., Ltd.	<u>\$ 11,526</u>	<u>\$ 12,929</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	
	2021	2020
Oenix Biomed Co., Ltd.	40%	40%
Metalligence Technology Corp. (Note)	20%	-

Note: Since November 2021, Metalligence Technology Corp. has been classified from being a 100% subsidiary into an associate.

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, 2021	\$ 407,952	\$ 796,711	\$ 308,499	\$ 476,258	\$ 44,153	\$ 128,004	\$ 240,060	\$ 89,406	\$2,491,043
Additions	2,552	114,382	74,134	64,201	2,005	38,938	25,976	15,083	337,271
Reductions	(710)	(10,735)	(728)	(10,141)	(6,374)	(7,344)	-	(575)	(36,607)
Balance at December 31, 2021	<u>\$ 409,794</u>	<u>\$ 900,358</u>	<u>\$ 381,905</u>	<u>\$ 530,318</u>	<u>\$ 39,784</u>	<u>\$ 159,598</u>	<u>\$ 266,036</u>	<u>\$ 103,914</u>	<u>\$2,791,707</u>
<u>Accumulated depreciation</u>									
Balance at January 1, 2021	\$ 266,056	\$ 324,388	\$ 188,076	\$ 360,058	\$ 32,218	\$ 66,462	\$ 69,940	\$ 50,917	\$1,358,115
Additions	18,951	144,275	54,776	45,034	3,901	24,797	51,526	21,600	364,860
Reductions	(481)	(10,533)	(728)	(10,141)	(6,374)	(7,321)	-	(575)	(36,153)
Balance at December 31, 2021	<u>\$ 284,526</u>	<u>\$ 458,130</u>	<u>\$ 242,124</u>	<u>\$ 394,951</u>	<u>\$ 29,745</u>	<u>\$ 83,938</u>	<u>\$ 121,466</u>	<u>\$ 71,942</u>	<u>\$1,686,822</u>
Carrying amount at December 31, 2021	<u>\$ 125,268</u>	<u>\$ 442,228</u>	<u>\$ 139,781</u>	<u>\$ 135,367</u>	<u>\$ 10,039</u>	<u>\$ 75,660</u>	<u>\$ 144,570</u>	<u>\$ 31,972</u>	<u>\$1,104,885</u>
<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 amount 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>

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

Buildings	2-56 years
Machinery and equipment	2-10 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 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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Carrying amount</u>		
Land	\$ 503,524	\$ 149,923
Buildings	285,011	327,782
Other equipment	<u>3,134</u>	<u>-</u>
	<u>\$ 791,669</u>	<u>\$ 477,705</u>
	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Additions to right-of-use assets	<u>\$ 461,047</u>	<u>\$ 59,370</u>
Depreciation charge for right-of-use assets		
Land	\$ 11,513	\$ 5,586
Buildings	119,115	97,111
Other equipment	<u>818</u>	<u>-</u>
	<u>\$ 131,446</u>	<u>\$ 102,697</u>

b. Lease liabilities

	<u>December 31</u>	
	2021	2020
<u>Carrying amount</u>		
Current	<u>\$ 113,482</u>	<u>\$ 91,079</u>
Non-current	<u>\$ 569,180</u>	<u>\$ 378,908</u>

Range of discount rates for lease liabilities was as follows:

	<u>December 31</u>	
	2021	2020
Land	2.80%	2.51%-2.80%
Buildings	0.85%-2.20%	1.35%-2.20%
Other equipment	1.89%	-

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 40 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

	<u>For the Year Ended December 31</u>	
	2021	2020
Expenses relating to short-term leases	<u>\$ 27,586</u>	<u>\$ 29,875</u>
Total cash outflow for leases	<u>\$ 275,380</u>	<u>\$ 140,002</u>

The Company's leases of 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

	<u>Technology License Fees</u>	<u>Computer Software</u>	<u>Patents</u>	<u>Other Deferred Charges</u>	<u>Total</u>
<u>Cost</u>					
Balance at January 1, 2021	\$ 749	\$ 122,247	\$ -	\$ -	\$ 122,996
Additions	-	47,816	-	-	47,816
Reductions	(749)	(39,216)	-	-	(39,965)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 130,847</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130,847</u>
<u>Accumulated amortization</u>					
Balance at January 1, 2021	\$ 624	\$ 51,439	\$ -	\$ -	\$ 52,063
Additions	125	36,072	-	-	36,197
Reductions	(749)	(39,216)	-	-	(39,965)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 48,295</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,295</u>
Carrying amount at December 31, 2021	<u>\$ -</u>	<u>\$ 82,552</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,552</u>
<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 amount at December 31, 2020	<u>\$ 125</u>	<u>\$ 70,808</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,933</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 year
Computer software	2-6 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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Prepayments		
Excess VAT paid	\$ 105,053	\$ 95,449
Prepayments for software maintenance fees	23,485	23,428
Prepayments for purchases	2,542	3,602
Other	<u>21,741</u>	<u>11,158</u>
	<u>\$ 152,821</u>	<u>\$ 133,637</u>
Other current assets		
Temporary payments	<u>\$ 3,247</u>	<u>\$ 4,940</u>
<u>Non-current</u>		
Other Assets		
Prepayments for land use right (Note 33)	\$ 155,000	\$ -
Pledged time deposits (Note 32)	<u>79,415</u>	<u>27,773</u>
	<u>\$ 234,415</u>	<u>\$ 27,773</u>

17. BORROWINGS

Long-term borrowings

The borrowings of the Company are as follows:

			<u>December 31</u>	
	<u>Maturity Date</u>	<u>Significant Covenant</u>	<u>2021</u>	<u>2020</u>
Unsecured bank borrowings	2026.06.15	From June 2022, 49 monthly payments of principal and interest	\$ 1,000,000	\$ 1,000,000
Unsecured bank borrowings	2026.04.15	From June 2022, 47 monthly payments of principal and interest	<u>218,000</u>	<u>218,000</u>
Long-term borrowings			1,218,000	1,218,000
Less: Discounts on government grants (Note 27)			(39,257)	(54,530)
Less: Current portion			<u>(175,325)</u>	<u>-</u>
			<u>\$ 1,003,418</u>	<u>\$ 1,163,470</u>

The intervals of effective borrowing rates as of December 31, 2021 and 2020 were both 0%-0.10%.

The loan agreements require the maintenance of a current ratio, debt ratio, and interest coverage ratio based on the Company's annual and quarterly consolidated financial statements. For the years ended December 31, 2021 and 2020, the Company had met the financial ratio covenants.

18. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Other payables		
Temporary receipts from customers	\$ 496,958	\$ 697,251
Payable for bonuses	314,955	260,773
Temporary credit and agency receipt	89,160	366,796
Payable for insurance	44,252	32,132
Payable for import/export	32,100	22,547
Payable for service	28,833	29,481
Others	<u>633,481</u>	<u>487,564</u>
	<u>\$ 1,639,739</u>	<u>\$ 1,896,544</u>

19. PROVISIONS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Warranties	<u>\$ 99,322</u>	<u>\$ 81,224</u>
<u>In 2020</u>		
Balance at January 1, 2020		\$ 44,380
Additional provisions recognized		170,298
Amount used		<u>(133,454)</u>
Balance at December 31, 2020		<u>\$ 81,224</u>

In 2021

	Warranties
Balance at January 1, 2021	\$ 81,224
Additional provisions recognized	118,362
Amount used	<u>(100,264)</u>
Balance at December 31, 2021	<u>\$ 99,322</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 has 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 adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months 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 Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance 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:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Present value of defined benefit obligation	\$ 294,233	\$ 294,922
Fair value of plan assets	<u>(264,451)</u>	<u>(265,807)</u>
Net defined benefit liabilities	<u>\$ 29,782</u>	<u>\$ 29,115</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2021	\$ 294,922	\$ (265,807)	\$ 29,115
Service cost			
Current service cost	817	-	817
Net interest expense (income)	<u>2,359</u>	<u>(2,138)</u>	<u>221</u>
Recognized in profit or loss	<u>3,176</u>	<u>(2,138)</u>	<u>1,038</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,623)	(2,623)
Actuarial loss - experience adjustments	<u>4,150</u>	<u>-</u>	<u>4,150</u>
Recognized in other comprehensive income	<u>4,150</u>	<u>(2,623)</u>	<u>1,527</u>
Contributions from the employer	<u>-</u>	<u>(1,898)</u>	<u>(1,898)</u>
Benefits paid	<u>(8,015)</u>	<u>8,015</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 294,233</u>	<u>\$ (264,451)</u>	<u>\$ 29,782</u>

(Continued)	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2020	<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:

	For the Year Ended December 31	
	2021	2020
Operating costs	\$ 57	\$ 98
Selling and marketing expenses	119	128
General and administrative expenses	467	500
Research and development expenses	<u>395</u>	<u>428</u>
	<u>\$ 1,038</u>	<u>\$ 1,154</u>

Through the defined benefit plans under the Labor Standards Act, 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 shall 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 plans' 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 salaries of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2021	2020
Discount rates	0.75%	0.80%
Expected rates of salary increase	3.50%	3.50%

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

	December 31	
	2021	2020
Discount rates		
0.25% increase	<u>\$ (7,009)</u>	<u>\$ (7,844)</u>
0.25% decrease	<u>\$ 7,265</u>	<u>\$ 8,154</u>
Expected rates of salary increase		
1.00% increase	<u>\$ 29,533</u>	<u>\$ 33,308</u>
1.00% decrease	<u>\$ (26,180)</u>	<u>\$ (29,195)</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.

	<u>December 31</u>	
	2021	2020
Expected contributions to the plans for the next year	<u>\$ 1,898</u>	<u>\$ 2,754</u>
Average duration of the defined benefit obligation	12 years	13 years

21. EQUITY

a. Ordinary shares

	<u>December 31</u>	
	2021	2020
Authorized shares (in thousands)	<u>880,000</u>	<u>880,000</u>
Authorized capital	<u>\$ 8,800,000</u>	<u>\$ 8,800,000</u>
Issued and fully paid shares (in thousands)	<u>559,920</u>	<u>559,456</u>
Issued capital	<u>\$ 5,599,204</u>	<u>\$ 5,594,564</u>

A holder of issued ordinary shares with par value of \$10 per share is entitled to vote and to receive dividends.

The authorized shares include 87,000 thousand shares allocated for the exercise of employee share options.

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

b. Capital surplus

	<u>December 31</u>	
	2021	2020
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance ordinary shares	\$ 537,114	\$ 535,375
Treasury share transactions	70,137	55,783
Employee share options	219,717	217,135
<u>May only be used to offset a deficit</u>		
Changes in percentage of ownership interests in subsidiaries (2)	8,113	5,509
<u>May not be used for any purpose</u>		
Employee share options	<u>8,499</u>	<u>11,081</u>
	<u>\$ 843,580</u>	<u>\$ 824,883</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 surplus and to once a year).

2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulted from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of subsidiaries accounted for using the equity method.

A reconciliation of the carrying amounts at the beginning and at the end of December 31, 2021 and 2020, for each class of capital surplus was as follows:

	Premium on Issuance of Shares	Treasury Shares	Employee Share Options	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 options expired	-	-	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>

	Premium on Issuance of Shares	Treasury Shares	Employee Share Options	Change in Percentage of Ownership Interest in Subsidiaries	Employee Share Options - May not be used for any Purpose
Balance at January 1, 2021	\$ 535,375	\$ 55,783	\$ 217,135	\$ 5,509	\$ 11,081
Employee share options exercised	1,739	-	2,124	-	(2,124)
Employee share options expired	-	-	458	-	(458)
Cash dividends received by subsidiaries from parent company	-	14,354	-	-	-
Partial acquisition (disposal) of equity in subsidiaries	-	-	-	2,604	-
Balance at December 31, 2021	<u>\$ 537,114</u>	<u>\$ 70,137</u>	<u>\$ 219,717</u>	<u>\$ 8,113</u>	<u>\$ 8,499</u>

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the 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 legal reserve 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 compensation of employees and remuneration of directors after the amendment, refer to compensation of employees and remuneration of directors in Note 23-7.

The 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 shareholders' compensation can be appropriated by way of cash dividends or share 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 deficit. 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.

The appropriations of earnings for 2020 and 2019, which were approved in the shareholders' meetings on July 8, 2021 and June 18, 2020, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Year 2020	For Year 2019	For Year 2020	For Year 2019
Legal reserve	\$ 504,445	\$ 495,049	\$ -	\$ -
(Reversal of) special reserve	(65,023)	230,752	-	-
Cash dividends	3,636,538	3,462,734	6.4956	6.1903

The appropriations of earnings for 2021 were proposed by the Company's board of directors on March 17, 2022. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 470,713	\$ -
Special reserve	21,320	-
Cash dividends	3,359,576	6

The appropriations of earnings for 2021 are subject to the resolution of the shareholders' meeting to be held on June 16, 2022.

d. Special reserves

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 538,244	\$ 307,492
(Reversal of) appropriations in respect of Debits to other equity items	(65,023)	230,752
Balance at December 31	<u>\$ 473,221</u>	<u>\$ 538,244</u>

e. Other equity items

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

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ (454,339)	\$ (492,608)
Recognized for the year		
Exchange differences on the translation of the financial statements of foreign operations	<u>(39,289)</u>	<u>38,269</u>
Balance at December 31	<u>\$ (493,628)</u>	<u>\$ (454,339)</u>

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

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ (18,882)	\$ (45,636)
Recognized for the year		
Unrealized gain - equity instruments	21,569	26,754
Reclassification adjustments		
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	<u>(3,600)</u>	<u>-</u>
Balance at December 31	<u>\$ (913)</u>	<u>\$ (18,882)</u>

f. Treasury shares

The Company's shares held by its subsidiaries on the balance sheet date were as follows:

Name of Subsidiary	Number of Shares Held (In Thousands of Shares)	Carrying Amount	Market Value
<u>December 31, 2021</u>			
Accton Investment	2,210	<u>\$ 50,999</u>	<u>\$ 574,565</u>
<u>December 31, 2020</u>			
Accton Investment	2,210	<u>\$ 50,999</u>	<u>\$ 698,318</u>

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

22. REVENUE

	For the Year Ended December 31	
	2021	2020
Revenue from the sale of goods	<u>\$ 49,319,186</u>	<u>\$ 51,270,498</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, 2021 and 2020, for information on the refund liability which amounted to \$37,900 thousand and \$16,605 thousand, respectively.

b. Contact balances

	December 31, 2021	December 31, 2020	January 1, 2020
Trade receivables (Note 10)	<u>\$ 6,443,807</u>	<u>\$ 6,426,493</u>	<u>\$ 4,162,120</u>
Contract liabilities - current			
Sale of goods	<u>\$ 798,098</u>	<u>\$ 914,356</u>	<u>\$ 542,726</u>

As of December 31, 2021 and 2020, the sales of goods from contract liabilities amounted to \$298,261 thousand and \$82,246 thousand, respectively.

c. Disaggregation of revenue

	For the Year Ended December 31	
	2021	2020
<u>Product</u>		
Switch	\$ 28,401,153	\$ 36,547,407
Network Application	11,271,972	7,642,137
Metro Access Switch	7,261,992	4,743,168
Other	1,639,618	1,325,984
Wireless	744,451	1,011,802
	<u>\$ 49,319,186</u>	<u>\$ 51,270,498</u>
<u>Location</u>		
America	\$ 32,600,896	\$ 36,172,073
Europe	12,106,996	10,021,225
Asia	2,311,266	1,772,115
Taiwan (location of the Company)	2,298,889	3,301,866
Other	1,139	3,219
	<u>\$ 49,319,186</u>	<u>\$ 51,270,498</u>

23. NET PROFIT

Net profit attributable to:

a. Interest income

	For the Year Ended December 31	
	2021	2020
Bank deposits	\$ 14,575	\$ 60,996
Financial assets at amortized cost	-	291
Others	85	51
	<u>\$ 14,660</u>	<u>\$ 61,338</u>

b. Other income

	For the Year Ended December 31	
	2021	2020
Grant income (Note 27)	\$ 11,075	\$ 34,738
Dividends	9,003	8,138
Others	100,178	56,110
	<u>\$ 120,256</u>	<u>\$ 98,986</u>

c. Other gains and losses

	For the Year Ended December 31	
	2021	2020
Net gain on fair value changes of financial assets		
Financial assets mandatorily classified as at FVTPL	\$ 49,449	\$ 10,968
Net foreign exchange gains (losses)	6,606	(122,599)
Gain on lease modification	212	-
Others	-	(1,106)
	<u>\$ 56,267</u>	<u>\$ (112,737)</u>

d. Finance costs

	For the Year Ended December 31	
	2021	2020
Interest on bank loans	\$ 16,013	\$ 17,603
Interest on lease liabilities	15,271	11,032
	<u>\$ 31,284</u>	<u>\$ 28,635</u>

e. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
An analysis of depreciation by function		
Operating costs	\$ 265,069	\$ 222,319
Operating expenses	231,237	176,882
	<u>\$ 496,306</u>	<u>\$ 399,201</u>
An analysis of amortization by function		
Operating costs	\$ 5,456	\$ 5,635
Operating expenses	30,741	29,683
	<u>\$ 36,197</u>	<u>\$ 35,318</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2021	2020
Short-term benefits	\$ 3,483,603	\$ 3,179,664
Post-employment benefits (Note 20)		
Defined contribution plan	95,115	84,508
Defined benefit plans	<u>1,038</u>	<u>1,154</u>
Total employee benefits expense	<u>\$ 3,579,756</u>	<u>\$ 3,265,326</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 1,061,472	\$ 904,619
Operating expenses	<u>2,518,284</u>	<u>2,360,707</u>
	<u>\$ 3,579,756</u>	<u>\$ 3,265,326</u>

g. Compensation of employees and remuneration of directors

According to the Company's Articles, the Company accrued compensation of employees 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, compensation of employees, and remuneration of directors. The compensation of employees and the remuneration of directors for the years ended December 31, 2021 and 2020, which were approved by the Company's board of directors on March 17, 2022 and March 18, 2021, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2021	2020
Compensation of employees	11.25%	11.25%
Remuneration of directors	0.6%	0.6%

Amount

	For the Year Ended December 31			
	2021		2020	
	Cash	Share	Cash	Share
Compensation of employees	<u>\$ 713,872</u>	\$ -	<u>\$ 779,607</u>	\$ -
Remuneration of directors	<u>\$ 40,000</u>	-	<u>\$ 45,000</u>	-

If there is a change in the amounts after the annual financial statements authorized for issue, the differences will be recorded as a change in the accounting estimate.

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2020 and 2019.

Information on compensation of employees 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 are as follows:

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ 853,780	\$ 1,106,416
Income tax on unappropriated earnings	43,132	31,357
Adjustments for prior years	(65,802)	(52,272)
Deferred tax		
In respect of the current year	<u>55,490</u>	<u>(28,621)</u>
Income tax expense recognized in profit or loss	<u>\$ 886,600</u>	<u>\$ 1,056,880</u>

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

	For the Year Ended December 31	
	2021	2020
Profit before tax	<u>\$ 5,591,659</u>	<u>\$ 6,105,233</u>
Income tax expense calculated at the statutory rate	\$ 1,118,332	\$ 1,221,047
Income tax on unappropriated earnings	48,424	39,310
Nondeductible expenses in determining taxable income	(124,232)	(68,166)
Investment tax credits used	(90,122)	(83,039)
Adjustments for prior years' tax	<u>(65,802)</u>	<u>(52,272)</u>
Income tax expense recognized in profit or loss	<u>\$ 886,600</u>	<u>\$ 1,056,880</u>

b. Current tax liabilities

December 31	
2021	2020
Current tax liabilities	
Income tax payable	\$ 1,295,338
	\$ 1,075,238

c. Deferred tax assets

The movements of deferred tax assets were as follows:
For the year ended December 31, 2021

	Balance, at Beginning of Year	Recognized in Profit or Loss	Balance, at End of Year
<u>Deferred tax assets</u>			
Temporary difference	\$ 74,915	\$ (55,490)	\$ 19,425

For the year ended December 31, 2020

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

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

December 31	
2021	2020
Deductible temporary differences	\$ 488,961
	\$ 496,428

e. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2021 and 2020, the taxable 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 2019.

25. EARNINGS PER SHARE

		Unit: NT\$ Per Share	
		For the Year Ended December 31	
		2021	2020
Basic earnings per share		\$ 8.44	\$ 9.07
Diluted earnings per share		\$ 8.36	\$ 8.98

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Profit for the Year

		For the Year Ended December 31	
		2021	2020
Earnings used in the computation of basic and diluted earnings per share		\$ 4,705,059	\$ 5,048,353

The weighted average number of ordinary shares outstanding (in thousand shares) was as follows:

		For the Year Ended December 31	
		2021	2020
Weighted average number of ordinary shares used in the computation of basic earnings per share		557,501	556,352
Effect of potentially dilutive ordinary shares			
Employee share options		1,612	2,682
Compensation of employees		3,364	3,424
Weighted average number of ordinary shares used in the computation of diluted earnings per share		562,477	562,458

The Company may settle the compensation of employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are 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 options on September 4, 2014 and 20,000 thousand options on July 20, 2010. Each option entitles the holder to subscribe for one ordinary share 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>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	-	-	(500)	8.60
Balance at December 31	<u>2,002</u>	13.80	<u>-</u>	-
<u>2021</u>				
Balance at January 1	2,002	\$ 13.80	-	\$ -
Options exercised	(464)	13.50-13.80	-	-
Options canceled	(100)	13.50	-	-
Balance at December 31	<u>1,438</u>	13.50	<u>-</u>	-

The number of outstanding share options and the exercise prices have been adjusted to reflect the share dividends and the cancellation of ordinary shares according to plan.

Information on outstanding options as of December 31, 2021 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\$)
<u>2014 option plan</u>					
\$ 13.50	<u>1,438</u>	2.69	\$ 13.50	<u>1,438</u>	\$ 13.50

Options granted in 2014 and 2010 were priced using the Black-Scholes pricing model. 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	10 years	3.25 years
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 years ended December 31, 2021 and 2020.

27. GOVERNMENT GRANTS

As of December 31, 2021, 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 2021 and 2020, the Company recognized other income of \$11,075 thousand and \$10,761 thousand and the interest expense of the loan of \$15,491 thousand and \$15,988 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.

In 2020, the Company recognized other income of \$23,977 thousand for the grants of “The Taiwan Industry Innovation Platform Program”.

28. DISPOSAL OF SUBSIDIARY

a. On November 11, 2021, the Company lost control over its subsidiary, Metalligence Technology Corp. Please set out in Note 12.

1) Analysis of assets and liabilities on the date of losing control

	Metalligence Technology Corp.
Current assets	
Cash and cash equivalents	\$ 4,331
Prepayments	6,900
Other current assets	57
Non-current assets	
Property, plant and equipment	\$ 23
Current liabilities	
Contract liabilities	(3,201)
Other Payables	<u>(7,888)</u>
Net assets disposed of	<u>\$ 222</u>

2) Gain on liquidation of subsidiary

	Metalligence Technology Corp.
The remainder investment recognized at fair value	\$ 222
Net assets disposed of	<u>(222)</u>
Gain on disposal	<u>\$ -</u>

29. CAPITAL MANAGEMENT

The Company manages its capital to ensure that the Company has 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 measured at fair value on a recurring basis

1) Fair value hierarchy
December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 15,011	\$ -	\$ -	\$ 15,011
Unlisted shares	<u>-</u>	<u>-</u>	<u>101,828</u>	<u>101,828</u>
Total	<u>\$ 15,011</u>	<u>\$ -</u>	<u>\$ 101,828</u>	<u>\$ 116,839</u>

Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares and emerging market shares	<u>\$ 208,743</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 208,743</u>

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 1,915,657		\$ -	\$ 1,915,657
Unlisted shares	<u>-</u>	<u>-</u>	<u>95,301</u>	<u>95,301</u>
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 and emerging market shares	<u>\$ 136,947</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 136,947</u>

There were no transfers between Level 1 and 2 in the current and prior years.

2) Reconciliation of Level 3 fair value measurements of financial instruments
For the year ended December 31, 2021

Financial Assets	Financial Assets at FVTOCI
Balance at January 1, 2021	Equity Instruments \$ 95,301
Recognized in profit or loss (included in other gains and losses)	<u>6,527</u>
Balance at December 31, 2021	<u>\$ 101,828</u>

For the year ended December 31, 2020

Financial Assets	Financial Assets at FVTOCI
Balance at January 1, 2020	Equity Instruments \$ 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>

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

The fair values of unlisted equity securities for both domestic and foreign were determined by using market approach based on the transaction price of the comparable standard and financial information of the underlying company and the market peer. Market multipliers such as price-to-earnings ratio, price book ratio, price-to-sales ratio or other financial ratios are used to analyze and evaluate.

	For the Year Ended December 31	
	2021	2020
Price book ratio	1.636-5.827	1.830-4.049
Price-to-sales ratio	0.64-2.44	0.73-1.85
Liquidity discount	20%	20%

b. Categories of financial instruments

	December 31	
	2021	2020
<u>Financial assets</u>		
<u>FVTPL</u>		
Mandatorily classified as at FVTPL	\$ 116,839	\$ 2,010,958
Financial assets at amortized cost (Note 1)	13,202,309	16,750,747
Financial assets at FVTOCI		
Equity instruments	208,743	136,947
<u>Financial liabilities</u>		
Amortized cost (Note 2)	13,452,876	14,282,012

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, 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 to contractors and equipment suppliers, other payables (include related parties), long-term borrowings - current portion, long-term borrowings and guarantee deposits.

c. 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 has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Company has foreign currency denominated sales and purchases, which exposed the Company to foreign currency risk. To protect against reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Company utilizes short-term loans in foreign currency and derivative financial instruments (including forward exchange contracts) to hedge its currency exposure.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 35.

Sensitivity analysis

The Company is mainly exposed to the USD.

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar (i.e., 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 representing management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the year for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the New Taiwan dollar weakening 1% against the relevant currency. For a 1% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balance below would be negative.

	USD Impact	
	For the Year Ended December 31	
	2021	2020
Profit or loss	\$ (19,318)	\$ (27,945)

b) Interest rate risk

Interest rates of the Company's bank loans are fixed and variable, and have little effect on changing in interest rates, so the Company has not engaged in any hedging activities.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting periods were as follows:

	December 31	
	2021	2020
Fair value interest rate risk		
Financial assets	\$ 1,368,862	\$ 3,825,349
Financial liabilities	682,662	469,987
Cash flow interest rate risk		
Financial assets	1,472,542	1,328,772
Financial liabilities	1,178,743	1,163,470

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable interest rate assets, the analysis was prepared assuming the amount of each asset outstanding at the end of the reporting period was outstanding for the whole year.

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, 2021 and 2020 would have decreased/increased by \$294 thousand and \$165 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 in equity instruments operating in electronic industry quoted in the Taiwan Stock Exchange and Greta Securities Market.

Sensitivity analysis

The sensitivity analysis below was 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, 2021 and 2020 would have increased/decreased by \$1,168 thousand and \$20,110 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 years ended December 31, 2021 and 2020 would have increased/decreased by \$2,087 thousand and \$1,369 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 resulting in a 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 amounts 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 trade receivables 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 payments 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 will use 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, 2021 and 2020, the Company had available unutilized 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 maturities for its non-derivative financial liabilities with agreed repayment periods. The table has 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 table 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, 2021

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1+ Years	Total
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 7,572,287	\$ 4,242,360	\$ 458,670	\$ 816	\$12,274,133
Lease liabilities	3,586	14,360	111,226	795,973	925,145
Variable interest rate liabilities	18	36	175,478	1,042,977	1,218,509
	<u>\$ 7,575,891</u>	<u>\$ 4,256,756</u>	<u>\$ 745,374</u>	<u>\$ 1,839,766</u>	<u>\$14,417,787</u>

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than 1					
	Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	\$ 129,172	\$ 204,902	\$ 162,010	\$ 52,833	\$ 160,333	\$ 215,895
Variable interest rate liabilities	<u>175,532</u>	<u>1,042,977</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 304,704</u>	<u>\$ 1,247,879</u>	<u>\$ 162,010</u>	<u>\$ 52,833</u>	<u>\$ 160,333</u>	<u>\$ 215,895</u>

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1+ 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	<u>18</u>	<u>36</u>	<u>164</u>	<u>1,218,513</u>	<u>1,218,731</u>
	<u>\$ 8,743,835</u>	<u>\$ 3,932,014</u>	<u>\$ 542,846</u>	<u>\$ 1,662,522</u>	<u>\$14,881,217</u>

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than 1					
	Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	\$ 100,751	\$ 262,844	\$ 46,119	\$ 41,101	\$ 40,039	\$ 53,090
Variable interest rate liabilities	<u>218</u>	<u>1,075,602</u>	<u>142,911</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 100,969</u>	<u>\$ 1,338,446</u>	<u>\$ 189,030</u>	<u>\$ 41,101</u>	<u>\$ 40,039</u>	<u>\$ 53,090</u>

b) Financing facilities

	December 31	
	2021	2020
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	\$ 1,218,000	\$ 1,218,000
Amount unused	<u>6,260,696</u>	<u>5,489,470</u>
	<u>\$ 7,478,696</u>	<u>\$ 6,707,470</u>

The Company does not have bank loan facilities which may be extended by mutual agreements on December 31, 2021 and 2020.

31. TRANSACTIONS WITH RELATED PARTIES

Besides as disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed as follows.

a. Related party name and category

Related Party Name	Related Party Category
Accton Logistics Corp.	Subsidiary
SMC Network, Inc.	Subsidiary
Accton Technology Corp. USA	Subsidiary
Edgecore Networks Corp.	Subsidiary
E-Direct Corp.	Subsidiary
Accton Global Inc.	Subsidiary
Edgecore Americas Networking	Indirect subsidiary
Joy Technology (Shenzhen) Co., Ltd.	Indirect subsidiary
Accton Technology Co., Ltd.	Indirect subsidiary
Edgecore Networks Singapore Pte. Ltd.	Indirect subsidiary
ATAN NetworKs Co., Ltd.	Indirect subsidiary
Oenix Biomed Co., Ltd.	Associate
Metalligence Technology Corp. (Note)	Associate

Note: Since November 2021, Metalligence Technology Corp. has been classified from being a subsidiary into an associate.

b. Sales

Line Item	Related Party Name	December 31	
		2021	2020
Sales	Accton Global Inc.	\$ 8,113,328	\$ 15,324,521
	Edgecore Networks Corp.	1,817,580	2,334,964
	Accton Logistics Corp.	75,409	4,247,825
	Other Subsidiaries	<u>65,651</u>	<u>137,548</u>
		<u>\$ 10,071,968</u>	<u>\$ 22,044,858</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. Purchases

Line Item	Related Party Name	December 31	
		2021	2020
Purchases	Joy Technology (Shenzhen) Co., Ltd.	\$ 14,263,241	\$ 22,447,913
	Other Subsidiaries	<u>54,422</u>	<u>139,290</u>
		<u>\$ 14,317,663</u>	<u>\$ 22,587,203</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	
		2021	2020
Operating expense	Accton Technology Corp. USA	\$ 121,883	\$ 130,675
	Joy Technology (Shenzhen) Co., Ltd.	3,308	7,176
	Other Subsidiaries	<u>2,905</u>	<u>3,052</u>
		<u>\$ 128,096</u>	<u>\$ 140,903</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	
		2021	2020
Other revenue	Edgecore Networks Corp.	\$ 12,602	\$ 17,374
	Other Subsidiaries	<u>2,464</u>	<u>2,830</u>
		<u>\$ 15,066</u>	<u>\$ 20,204</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	
		2021	2020
Trade receivables from related parties	Accton Global Inc.	\$ 2,913,782	\$ 4,362,818
	Edgecore Networks Corp.	105,248	144,378
	Accton Logistics Corp.	39,299	226,961
	Other Subsidiaries	9,750	14,827
	Transfer of investment loans using the equity method	<u>(32,037)</u>	<u>(363,381)</u>
		<u>\$ 3,036,042</u>	<u>\$ 4,385,603</u>
Other receivables from related parties	Joy Technology (Shenzhen) Co., Ltd.	\$ 503,154	\$ 432,883
	Other Subsidiaries	<u>5,710</u>	<u>22,898</u>
		<u>\$ 508,864</u>	<u>\$ 455,781</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	
		2021	2020
Trade payables to related parties	Joy Technology (Shenzhen) Co., Ltd.	\$ 3,383,679	\$ 5,204,304
Other payables to related Parties	Accton Technology Corp. USA	\$ 120,738	\$ 116,644
	Edgecore Networks Corp.	11,997	680
	Joy Technology (Shenzhen) Co., Ltd.	3,688	25,246
	Other Subsidiaries	5,559	8,109
		<u>\$ 141,982</u>	<u>\$ 150,679</u>

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

h. Prepayments

Line Item	Related Party Name	December 31	
		2021	2020
Prepayments to related parties	Metalligence Technology Corp.	\$ 2,282	\$ -

i. Acquisitions of property, plant and equipment

Related Party Name	Purchase Price	
	2021	2020
Subsidiary	\$ 9,987	\$ 12,958

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

j. Disposals of property, plant and equipment

Related Party Name	Proceeds Price	
	2021	2020
Subsidiary	\$ 17	\$ 577

The transaction of property, plant and equipment between the Company and related parties is based on the agreed terms, and the gain or loss on sales of property, plant and equipment is not significant.

k. Acquisition of intangible assets

Related Party Name	Purchase Price	
	2021	2020
Subsidiary	\$ 92	\$ 426

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

l. Remuneration of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 105,313	\$ 138,306
Termination benefits	730	1,749
	<u>\$ 106,043</u>	<u>\$ 140,055</u>

The compensation to directors and other key management personnel were determined by the Compensation Committee of the Company in accordance with the individual performance and the market trends.

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral of tariff guarantee:

	December 31	
	2021	2020
Pledge time deposits (classified as other non-current assets-other)	\$ 79,415	\$ 27,773

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2021, the Company needed to issue a letter of guarantee from the bank to the customs for import/export goods amounted to \$23,000 thousand.

The Company has rented the land of the Artificial Intelligence Park Phase 2 from Hsinchu County Government. The duration of the superficial right is 20 years (may be extended after expiration), and the amount of the land use right is \$310,000 thousand. As of December 31, 2021, the Company has paid \$155,000 thousand. The Company will complete the registration of superficies in March 2022, and the amount of the estimated annual rent is \$6,996 thousand.

34. SUBSEQUENT EVENTS AFTER REPORTING PERIOD

In the board of directors of the Company on March 17, 2022, the directors approved a restricted share plan for employees with a total amount of NT\$20,000 thousand, which consisted 2,000 thousand shares and the issuing price of each share was NT\$0.

In the board of directors of the Company on March 17, 2022, the directors approved the issuance of unsecured convertible bonds in Taiwan, with an aggregate principal amount of \$4,000,000 thousand, and the issue prices are \$100 thousand to \$101 thousand. The annual interest rate of the coupons issued is 0%, and the issuance period is three years.

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 464,656	27.68 (USD:NTD)	\$ 12,861,666
<u>Financial liabilities</u>			
Monetary items			
USD	394,866	27.68 (USD:NTD)	10,929,898

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 517,644	28.48 (USD:NTD)	\$ 14,742,494
<u>Financial liabilities</u>			
Monetary items			
USD	419,521	28.48 (USD:NTD)	11,947,968

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

	For the Year Ended December 31			
	2021		2020	
Foreign Currency	Exchange Rate (Functional Currency: Presentation Currency)	Net Foreign Exchange Gain (Loss)	Exchange Rate (Functional Currency: Presentation Currency)	Net Foreign Exchange Gain (Loss)
USD	28.009 (USD:NTD)	\$ <u>6,606</u>	29.549 (USD:NTD)	\$ <u>(122,599)</u>

36. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and investees:

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (Table 1)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 2)
- 4) Marketable securities acquired and disposed of 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 (Table 4)
- 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 5)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
- 9) Trading in derivative instruments. (None)
- 10) Information on investees (excluding any investee company in mainland China) (Table 7)

- 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 year, 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. Refer to the Company's consolidated Financial Statement for 2021's Note 7.
- 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 9)

TABLE 1**ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2021
(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	\$ 1,555,295	\$ 23,000	\$ 23,000	\$ 23,000	\$ -	0.15	\$ 4,665,885	No	No	No
0	Accton Technology Corporation	Accton Global, Inc.	2	1,555,295	276,800	276,800	49,824	-	1.78	4,665,885	Yes	No	No
0	Accton Technology Corporation	Joy Technology (ShenZhen) Co., Ltd.	2	1,555,295	434,150	434,150	-	-	2.79	4,665,885	Yes	No	Yes
0	Accton Technology Corporation	Accton Technology Co., Ltd.	2	1,555,295	139,300	-	-	-	-	4,665,885	Yes	No	Yes
1	Edgecore Network Corporation	Edgecore Network Corporation	1	1,216,586	11,000	11,000	11,000	-	0.90	1,216,586	No	No	No
2	Accton Global, Inc.	Accton Logistics Corporation	4	64,354	41,520	22,144	22,144	-	34.41	64,354	No	No	No
3	Joy Technology (ShenZhen) Co., Ltd.	MuXi Technology Co., Ltd.	4	4,547,645	564,395	564,395	-	-	12.41	4,547,645	No	No	Yes

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, 2021

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares/Units (Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
Accton Technology Corporation	<u>Fund</u> Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss - current	982	\$ 15,011	-	\$ 15,011	Note 5
	<u>Shares</u> First Hi-Tec Enterprise Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	1,496	91,697	2%	91,697	Note 4
	Marvell Technology Inc.	-	Financial assets at fair value through other comprehensive income - current	22	52,904	-	52,904	Note 4
	Cathay financial holding Co., Ltd. - preference shares	-	Financial assets at fair value through other comprehensive income - current	830	52,207	-	52,207	Note 4
	Clientron Corp.	-	Financial assets at fair value through other comprehensive income - current	289	9,732	-	9,732	Note 6
	Cathay financial holding Co., Ltd. - preference share B	-	Financial assets at fair value through other comprehensive income - current	35	2,203	-	2,203	Note 4
	TechnoConcepts Inc.	-	Financial assets at fair value through other comprehensive income - current	597	-	-	-	Note 3
	Worldgate Communication, Inc.	-	Financial assets at fair value through other comprehensive income - non-current	3,200	-	-	-	Note 3
	Pershing Systems Corp.	-	Financial assets at fair value through profit or loss - non-current	2,631	69,219	9%	69,219	Note 3
	i Pass Corporation	-	Financial assets at fair value through profit or loss - non-current	1,140	25,759	1%	25,759	Note 3
	Linker Corporation	-	Financial assets at fair value through profit or loss - non-current	469	-	2%	-	Note 3
	Global Channel Resource Pte. Ltd.	-	Financial assets at fair value through profit or loss - non-current	500	-	7%	-	Note 3
	Wave-In Communication Inc.	-	Financial assets at fair value through profit or loss - non-current	1,138	6,850	7%	6,850	Note 3
	Stratus Medicine Inc.	-	Financial assets at fair value through profit or loss - non-current	833	-	4%	-	Note 3
	Zentera Systems, Inc.	-	Financial assets at fair value through profit or loss - non-current	400	-	3%	-	Note 3
	Xingtera technology optimizes	-	Financial assets at fair value through profit or loss - non-current	478	-	1%	-	Note 3
	Midfin Systems Inc.	-	Financial assets at fair value through profit or loss - non-current	1,084	-	4%	-	Note 3

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares/Units (Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
Accton Technology Corporation	MiTAC Information Technology Corp.	-	Financial assets at fair value through profit or loss - non-current	300	\$ -	-	\$ -	Note 3
	Clop Technologies Pte. Ltd.	-	Financial assets at fair value through profit or loss - non-current	2,000	-	9%	-	Note 3
	Acute Technology Corp.	-	Financial assets at fair value through profit or loss - non-current	2,650	-	15%	-	Note 3
	Microlinks Technology Corp.	-	Financial assets at fair value through profit or loss - non-current	138	-	2%	-	Note 3
	Peracom Networks, Inc.	-	Financial assets at fair value through profit or loss - non-current	2,931	-	-	-	Note 3
	MoBitS Electronics, Inc.	-	Financial assets at fair value through profit or loss - non-current	387	-	5%	-	Note 3
	VODTEL Communication Inc.	-	Financial assets at fair value through profit or loss - non-current	122	-	3%	-	Note 3
Accton Investment Corp.	<u>Shares</u>							
	Accton Technology Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	2,210	50,999	-	574,565	Note 4
	Xsight Labs Ltd. - preference share D	-	Financial assets at fair value through profit or loss - non-current	125	27,680	-	27,680	Note 3
	Quantun Machines Ltd. - preference share A	-	Financial assets at fair value through profit or loss - non-current	217	30,125	1%	30,125	Note 3
	Pavilion Data Systems - preference share C	-	Financial assets at fair value through profit or loss - non-current	336	-	1%	-	Note 3
	Astera Labs, Inc. - preference share A-1	-	Financial assets at fair value through profit or loss - non-current	2,451	-	-	-	Note 3
	Astera Labs, Inc. - preference share B	-	Financial assets at fair value through profit or loss - non-current	322	-	-	-	Note 3
	Astera Labs, Inc. - preference share C	-	Financial assets at fair value through profit or loss - non-current	43	-	-	-	Note 3
	Dustphotonics, Inc. - preference share A	-	Financial assets at fair value through profit or loss - non-current	38	-	-	-	Note 3
	Dustphotonics, Inc. - preference share B	-	Financial assets at fair value through profit or loss - non-current	5	-	-	-	Note 3
	Tallac Networks, Inc.	-	Financial assets at fair value through profit or loss - non-current	254	-	-	-	Note 3
	Aspac Communications, Inc.	-	Financial assets at fair value through profit or loss - non-current	120	-	-	-	Note 3
	Kai Chieh International Investment Ltd.	-	Financial assets at fair value through profit or loss - non-current	461	-	-	-	Note 3
	MoBitS Electronics, Inc.	-	Financial assets at fair value through profit or loss - non-current	232	-	3%	-	Note 3
	Fulfillment Plus Inc.	-	Financial assets at fair value through profit or loss - non-current	500	-	2%	-	Note 3
	@Network, Inc.	-	Financial assets at fair value through profit or loss - non-current	100	-	-	-	Note 3
	Telectronics International, Inc.	-	Financial assets at fair value through profit or loss - non-current	286	-	2%	-	Note 3
Itelco Communication, Inc. - preference shares	-	Financial assets at fair value through profit or loss - non-current	202	-	-	-	Note 3	
Network Excellence For Enterprises Corp. - preference shares	-	Financial assets at fair value through profit or loss - non-current	600	-	-	-	Note 3	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note	
				Shares/Units (Thousands)	Carrying Amount	Percentage of Ownership	Fair Value		
Accton Investment Corp.	Caspain Networks, Inc.	-	Financial assets at fair value through profit or loss - non-current	2	\$ -	-	\$ -	Note 3	
	Truetel Communications Inc.	-	Financial assets at fair value through profit or loss - non-current	600	-	3%	-	Note 3	
	Voipack Corporation - preference shares	-	Financial assets at fair value through profit or loss - non-current	1,075	-	-	-	Note 3	
	Ip Unity - preference shares	-	Financial assets at fair value through profit or loss - non-current	68	-	-	-	Note 3	
	Peracom Networks, Inc.	-	Financial assets at fair value through profit or loss - non-current	2,629	-	-	-	Note 3	
	Discovery Times Ltd.	-	Financial assets at fair value through profit or loss - non-current	-	-	-	-	Note 3	
	Engim, Inc. - preference shares A	-	Financial assets at fair value through profit or loss - non-current	455	-	-	-	Note 3	
	Engim, Inc. - preference shares A-1	-	Financial assets at fair value through profit or loss - non-current	2,308	-	-	-	Note 3	
	Softfoundry International Pte. Ltd.	-	Financial assets at fair value through profit or loss - non-current	833	-	-	-	Note 3	
	MiTAC Information Technology Corp.	-	Financial assets at fair value through profit or loss - non-current	15	-	-	-	Note 3	
	E2O Communications Inc.	-	Financial assets at fair value through profit or loss - non-current	30	-	-	-	Note 3	
		<u>Bonds</u>							
		Awoo Japan - convertible bonds	-	Financial assets at fair value through profit or loss - non-current	-	8,361	-	8,361	Note 3
Accton Century holding (BVI) Co., Ltd.	<u>Shares</u>								
	@ Network, Inc.	-	Financial assets at fair value through profit or loss - non-current	167	-	-	-	Note 3	
	3CX Inc.	-	Financial assets at fair value through profit or loss - non-current	375	-	-	-	Note 3	
	Discovery Times Alpha Ltd.	-	Financial assets at fair value through profit or loss - non-current	-	-	-	-	Note 3	
	Telmax Communications Corp.	-	Financial assets at fair value through profit or loss - non-current	613	-	-	-	Note 3	
	Programmable Silicon Solutions	-	Financial assets at fair value through profit or loss - non-current	143	-	-	-	Note 3	
	Aviva Communications INC. - preference shares	-	Financial assets at fair value through profit or loss - non-current	30	-	-	-	Note 3	
	Conveigh Inc.	-	Financial assets at fair value through profit or loss - non-current	765	-	-	-	Note 3	
Accton Investment Corp.	Fortress	-	Financial assets at fair value through profit or loss - non-current	-	-	-	-	Note 3	
	<u>Shares</u>								
	Zhuhai Jinfangda Technology Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	-	7,604	18%	7,604	Note 3	
Nocsys Inc.	<u>Shares</u>								
	Noctilucent (HK) Limited	-	Financial assets at fair value through profit or loss - non-current	-	-	19%	-	Note 3	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares/Units (Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
Edgecore Networks Corp.	<u>Fund</u> Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss - current	4,733	\$ 60,000	-	\$ 60,000	Note 5
	UPAMC James Bond Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,667	45,000	-	45,000	Note 5
	Taishin Ta-Chong Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,394	20,001	-	20,001	Note 5
SMC Networks Inc.	<u>Shares</u> ALFA Network Inc.	-	Financial assets at fair value through profit or loss - non-current	969	19,547	19%	19,547	Note 3
	<u>Shares</u> Humax Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	369	41,662 (USD 1,505)	-	41,662 (USD 1,505)	Note 4
	Wedge Networks	-	Financial assets at fair value through profit or loss - non-current	250	-	1%	-	Note 3

Note 1: As of December 31, 2021 the above marketable securities have not been pledged or mortgaged.

Note 2: For information on subsidiaries and associates, refer to Tables 8 and 9.

Note 3: The market value was based on the carrying amount as of December 31, 2021.

Note 4: The market value was based on the closing price as of December 31, 2021.

Note 5: The market value was based on the net asset value of the fund as of December 31, 2021.

Note 6: The market value was based on the average quoted price as of December 31, 2021.

(Concluded)

TABLE 3**ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount (Note)	Gain (Loss) on Disposal	Number of Shares	Amount
Accton Technology Corporation	Yunta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	15,078	\$ 230,017	13,099	\$ 200,000	27,195	\$ 415,166	\$ 415,000	\$ 166	982	\$ 15,011

Note: The disposal cost represents acquisition cost.

TABLE 4**ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Previous Transaction of Related Counter-party				Pricing Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
Accton Technology Corporation	Right-of-use assets-land	March 25, 2021 (Note)	\$ 380,751 (Note)	Based on the terms in the contract	Hsinchu Country Government	-	Not applicable	Not applicable	Not applicable	\$ -	Bid price	Operating purpose	-

Note: The Company recognized the right-of-use asset at the commencement date on April 30, 2021, and calculated the right-of-use asset by using the discount rate in accordance with the lease terms of 40 years.

TABLE 5**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, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/ Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Accton Technology Corporation	Joy Technology (Shenzhen) Co., Ltd.	Indirect subsidiary	Purchase	\$ 14,263,241	30	75 days after the delivery date	Specified at each transaction	75 days after the delivery date	\$ (3,383,679)	29	-
	Accton Global, Inc.	Subsidiary	Sale	8,113,328	14	75 days after the delivery date	Specified at each transaction	75 days after the delivery date	2,913,782	28	-
	Edgecore Networks Corporation	Subsidiary	Sale	1,817,580	3	75 days after the delivery date	Specified at each transaction	75 days after the delivery date	105,248	1	-
Joy Technology (Shenzhen) Co., Ltd.	MuXi Technology Co., Ltd.	Held by the same ultimate holding company	Sale	5,437,892	9	Monthly 45 days	Specified at each transaction	Monthly 45 days	2,021,430	20	-
	Accton Technology Co., Ltd.	Held by the same ultimate holding company	Sale	1,067,179	2	75 days after the delivery date	Specified at each transaction	75 days after the delivery date	1,386,217	13	-
Edgecore Networks Corporation	Edgecore Americas Networking Corp.	Subsidiary	Sale	1,085,756	2	75 days after the invoice date	Specified at each transaction	75 days after the invoice date	550,346	5	-
Accton Technology Co., Ltd.	MuXi Technology Co., Ltd.	Subsidiary	Sale	137,400	-	Monthly 45 days	Specified at each transaction	Monthly 45 days	11,505	-	-

TABLE 6**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, 2021****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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	\$ 2,914,672	2.23	\$ 1,429,525	Strengthen collection	\$ 839,414	\$ -
	Joy Technology (Shenzhen) Co., Ltd.	Indirect subsidiary	503,154	Note 2	-	-	-	-
	Edgecore Networks Corporation	Subsidiary	109,614	14.56	-	-	-	-
Joy Technology (Shenzhen) Co., Ltd.	Accton Technology Corporation	Ultimate parent company	3,387,367	3.32	507,929	Strengthen collection	507,929	-
	MuXi Technology Co., Ltd.	Held by the same ultimate holding company	2,021,430	5.34	42,668	Strengthen collection	42,668	-
	Accton Technology Co., Ltd.	Held by the same ultimate holding company	1,386,217	1.17	997,373	Strengthen collection	997,373	-
Edgecore Networks Corporation	Edgecore Americas Networking Corp.	Subsidiary	552,007	2.06	156,517	Strengthen collection	-	-
Accton Technology Co., Ltd.	Joy Technology (Shenzhen) Co., Ltd.	Held by the same ultimate holding company	1,917,455	0.02	-	-	-	-
MuXi Technology Co., Ltd.	Joy Technology (Shenzhen) Co., Ltd.	Held by the same ultimate holding company	371,866	Note 2	-	-	-	-

Note 1: The calculation of turnover days excludes other receivables.

Note 2: The ending balance is primarily consisted of other receivables, which is not applicable for the calculation of turnover days.

Note 3: Receivables from related parties include trade receivables from related parties and other receivables from related parties.

TABLE 7**ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES****INFORMATION ON INVESTEEES (EXCLUDING ANY INVESTEEES COMPANY IN MALNLAND CHINA)****FOR THE YEAR ENDED DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2021			Net Income (Loss) of the Investee	Investment Gain (Loss) Recognized	Note
				December 31, 2021	December 31, 2020	Number of Shares (Thousands)	% of Ownership	Carrying Amount			
Accton Technology Corporation	Accton Century Holding (BVI) Co., Ltd.	British Virgin Islands	Investment holding company	\$ 1,664,416	\$ 1,664,416	51,973	100	\$4,635,365	\$ 240,378	\$ 266,182	Notes 1 and 2
	Edgecore Networks Corporation	Hsinchu	Research, development, design and manufacture of switching hubs	650,000	650,000	50,000	100	1,203,716	225,028	225,028	Note 1
	SMC Networks Inc.	USA	Sale of network products	769,644	769,644	24,149	100	110,759	(22,411)	(22,411)	Note 1
	Accton Technology (China) Co., Ltd.	Cayman Islands	Investment holding company	279,635	279,635	6,600	100	49,899	(42,401)	(42,401)	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	166,158	1,760	1,760	Note 1
	Accton Investment Corp.	British Virgin Islands	Investment holding company	79,676	79,676	1,004	100	270,165	142,682	128,328	Note 1
	Accton Logistics Corp.	USA	Selling and marketing of high-quality LAN hardware and software products	89,267	89,267	1	100	99,364	1,319	1,319	Note 1
	Accton Global, Inc.	USA	Selling and marketing of high-quality LAN hardware and software products	35,316	35,316	10	100	(32,037)	9,682	9,682	Note 1
	Nocsys Inc.	Cayman Islands	Investment holding company	199,434	199,434	50,000	100	2,645	(75)	(75)	Note 1
	E-Direct Corp.	Taipei	Provides services in information software and information technology	43,075	43,075	3,852	100	82,596	21,082	21,082	Note 1
	Metalligence Technology Corp.	Hsinchu	Provides e-commerce apps, information software and advertising services	5,000	46,407	50	20	-	(4,793)	(3,521)	Notes 1, 3 and 6
	Oenix Biomed Co., Ltd.	Taipei	Research and development of health care services and equipment	20,000	20,000	2,000	40	11,526	(3,508)	(1,403)	Note 1
4ipnet, Inc.	Taipei	Research, development, manufacture and selling of wireless products and solutions for enterprises	-	50,000	-	-	-	(3)	(3)	Notes 1 and 4	
Accton Century Holding (BVI) Co., Ltd.	Accton Asia Investment Corp.	British Virgin Islands	Investment holding company	1,165,494 (USD 42,106)	1,165,494 (USD 42,106)	42,106	100	4,573,316	261,283	261,283	Note 1
Accton Investment Corp.	Alpha Telecom, Inc.	USA	Sale and manufacture of Communication transmission, VoIP and IDSN equipment	-	6,920 (USD 250)	-	-	-	-	-	Note 7

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2021			Net Income (Loss) of the Investee	Investment Gain (Loss) Recognized	Note
				December 31, 2021	December 31, 2020	Number of Shares (Thousands)	% of Ownership	Carrying Amount			
Edgecore Networks Corp.	Edgecore Networks Singapore Pte. Ltd.	Singapore	Sell high-quality LAN hardware and software products	\$ 22,466	\$ 22,466	3,557	100	\$ 24,684	\$ 1,718	\$ 1,718	Note 1
	Edgecore Cayman, Corp.	Cayman Islands	Investment holding company	30,285	30,285	1,000	100	29,611	22,431	22,431	Note 1
	Horwood Limited	Cayman Islands	Investment holding company	-	6,868	-	-	-	(283)	(283)	Notes 1 and 5
Edgecore Cayman Corp.	Edgecore Americas Networking Corp.	USA	Sell high-quality LAN hardware and software products	277	277	10	100	(8,800)	23,859	23,859	Note 1
				(USD 10)	(USD 10)						

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: 4ipnet, Inc. completed its liquidation in May 2021.

Note 5: Horwood Limited completed its liquidation in December 2021.

Note 6: In November 2021, the board of directors resolved a capital reduction of 45,907 thousand to make up for losses and eliminated 4,591 thousand shares. In the same month, the board of directors resolved a cash capital increase of 200 thousand shares with a par value of \$10 for a consideration of financial structures. The Company did not acquire the shares, and the ownership percentage of the Company decreased from 100% to 20%.

Note 7: Alpha Telecom, Inc. completed its liquidation in December 2021.

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TABLE 8

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021
(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, 2021 (Note 2)	Investment Flows		Accumulated Outflow Remittance for Investment from Taiwan as of December 31, 2021 (Note 2)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021	Note
					Outflow	Inflow							
Joy Technology (Shenzhen) Co., Ltd.	Selling and producing of high-end networks switches	\$ 1,231,760 (USD 44,500)	Note 1	\$ 567,440 (USD 20,500)	\$ -	\$ -	\$ 567,440 (USD 20,500)	\$ 269,636	100%	\$ 269,636	\$ 4,547,645	\$ 456,720 (USD 16,500)	Note 3
Accton Technology Co., Ltd.	Selling and marketing of network products	166,080 (USD 6,000)	Note 1	166,080 (USD 6,000)	-	-	166,080 (USD 6,000)	(42,218)	100%	(42,218)	43,540	-	Note 3
Noctilucent Systems (Shanghai) Limited	Development, design and manufacture of software, selling product and consultation and service of technique	138,400 (USD 5,000)	Note 1	181,775 (USD 6,567)	-	-	181,775 (USD 6,567)	-	-	-	-	-	Notes 5 and 8
ATAN NetworKs Co., Ltd.	Selling and marketing of network products	85,808 (USD 3,100)	Note 10	55,360 (USD 2,000)	30,448 (USD 1,100)	-	85,808 (USD 3,100)	(5,382)	100%	(5,382)	10,689	-	Note 3 and 10
MuXi Technology Co., Ltd.	Selling and marketing of network products	4,342 (RMB 1,000)	Note 11	-	-	-	-	13,073	100%	13,073	17,734	-	Notes 3 and 11

Investee Company	Accumulated Investment in Mainland China as of December 31, 2021 (USD in Thousands)	Investment Amounts Authorized by the Investment Commission, MOEA (USD in Thousands)	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
Joy Technology (Shenzhen) Co., Ltd.	USD 20,500	USD 44,500 (Note 4)	\$ 9,331,771
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 3,100	USD 3,500	
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, 2021.

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 Edgecore Networks Corporation directly. Since the Company had organization restructuring in December 2021, Joy Technology (Shenzhen) Co., Ltd. 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, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Jinjiemin Co., Ltd.	45,113,765	8.05

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		Differences	
	2021	2020	Amount	%
Current Assets	31,782,233	28,440,301	3,341,932	11.75%
Property, Plant and Equipment	1,487,456	1,502,317	(14,861)	(0.99%)
Other Assets	1,751,680	1,180,351	571,329	48.40%
Total Assets	35,021,369	31,122,969	3,898,400	12.53%
Current Liabilities	17,643,456	14,831,457	2,811,999	18.96%
Non-current Liabilities	1,824,962	1,808,439	16,523	0.91%
Total liabilities	19,468,418	16,639,896	2,828,522	17.00%
Share Capital	5,599,204	5,594,564	4,640	0.08%
Capital Reserve	843,580	824,883	18,697	2.27%
Accumulated Profit or Loss	9,655,707	8,585,113	1,070,594	12.47%
Equity Attributable to Owners of Parent Companies	15,552,951	14,480,340	1,072,611	7.41%

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

1. Increased of Other Assets: Increase in the right-of-use assets in the 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		Amount of Increase (Decrease)	Percentage of Change (%)	Change Analysis
	2021	2020			
Net Sales Revenue	59,598,681	54,462,872	5,135,809	9.43%	
Cost of Sales	48,254,085	42,908,810	5,345,275	12.46%	
Gross Profit	11,344,596	11,554,062	(209,466)	(1.81%)	
Operating Expenses	5,903,870	5,151,399	752,471	14.61%	
Net Operating Profit (Loss)	5,440,726	6,402,663	(961,937)	(15.02%)	
Non-operating Income and Expenses	290,425	(189,768)	480,193	(253.04%)	1
Pre-tax profit (loss)	5,731,151	6,212,895	(481,744)	(7.75%)	
Income Tax Expenses	1,026,093	1,164,255	(138,162)	(11.87%)	
Net profit (loss)	4,705,058	5,048,640	(343,582)	(6.81%)	
Net Profit Attributable to Owners of Parent Companies	4,705,059	5,048,353	(343,294)	(6.80%)	
Analysis of Changes in Percentage:					
1. Increase of Non-operating Income and Expenses : Due to the impact of exchange rate fluctuations and increase in gains on financial assets in the period.					

III. Cash Flow

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

Items \ Year	2021	2020	Percentage of Increase/Decrease (%)
Cash Flow Ratio	7.75	23.41	(66.89%)
Cash Flow Adequacy Ratio	23.99	35.84	(33.06%)
Cash Flow Reinvestment Ratio	(10.92)	0.12	(9200%)
Analysis of Changes in Percentage:			
1. Decrease in 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
6,257,744	3,530,996	5,032,193	4,756,547	—	4,000,000
1. Analysis of Changes in the Cash Flow during the Year					
(1). Net cash flows generated from operating activities were mainly from the inflow of operating cash.					
(2). Cash outflow was mainly used for the acquisition of machinery and equipment, the construction of the Zhubei (Production No. 1) factory and office buildings, and the distribution of dividends to shareholders, directors and employees.					
2. Plan for improving insufficient liquidity and analysis of the liquidity of the following year: N/A.					
3. On March 17, 2022, the board of directors of the Company approved the issuance of convertible bonds with a limit of NT\$4 billion, which was planned to strengthen the Company's operating working capital needs.					

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, 2021
Joy Technology (Shenzhen) Corporation	The production and sale of computer network adaptors	2005	100%	4,547,645
Edgecore Networks Corporation	The research, development, design, manufacture and sale of network switches	2009	100%	1,203,715

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

- (1) Investments in mainland China 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\$269,636 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 Edgework Networks amounted to NT\$225,028 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:

According to OECD and IMF economic outlook, the global economic performance in 2022 is worth to be expected, but hidden worries of the inflation continue to increase, and the inflation pressure cannot be ignored. In 2021, the global economic growth is still high under the ravages of the COVID-19 pandemic, mainly due to the countries have launched support policies one after another, resulting in an upward trend in the economic growth. The global economic trend in 2022 is facing four major uncertainties:

- 1.The pandemic is slowing down, but the Omicron variant, vaccines and measures related to the pandemic prevention will still dominate economic activities.
- 2.Adjustments and measures of monetary policy and inflationary pressures of major countries in response to the post-pandemic era.
- 3.The price trends of crude oil and commodities, and the adjustment of supply chain, etc.
- 4.The impacts from global energy, power curtailment crisis and carbon reduction, net zero emission, etc.

Interest rates and exchange rates are expected to fluctuate wildly this year as facing unprecedented uncertainties. The Company will closely observe the overall global economy at any time further to the fluctuations in the exchange rate/interest rate of the financial market, etc. with a cautious and prudent attitude. In order to avoid the impact of uncertain factors on the Company's operations, it also establishes an appropriate risk management system, and it formulates coping strategies. The Company mainly adopts natural hedging strategies, and it uses financial instruments as an auxiliary when necessary. Therefore, it is able to reduce foreign currency exposures and interest rate risks, further avoiding the impact on the Company's profit and loss.(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:

Economic and social life have taken a different trend than usual under the huge influence of nature on human beings in the past two years, and, therefore, humans slowly came to a consensus on the way they treated nature, resulting in concrete changes. For the sake of life on

Earth, we hope that the place where we live, the society and the economy can continue to develop in a sustainable and healthy way.

Communication between people, connection between people and things, and connection between things and things all require the establishment of different forms of channels, which are accomplished by various communication. High speed, intelligence, safety and environmental protection are leading the development of the current trends in electronic communication market. As long as you can grasp this direction, you will be able to gain dividends in this trend. High-bandwidth, low latency, ultra-high precision, artificial intelligence, network security and low-carbon products will play a pivotal role. We will not only focus on developing faster port speed, high-efficiency power, heat dissipation, precise time synchronization, high-speed telephoto optics and security technology, but also impose stricter optimization on high workmanship quality, automation production quality and low power consumption so as to provide high-quality services and competitive products, rapidly respond to customer's demands, and dedicate our hearts and minds 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 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, pioneer the road, and create a better now and future.

The following introduces the various fields of Accton in the entire product research and development, which are roughly described as follows:

1. Enterprise Ethernet switch

Accton will research and development of Multi Gigabit Ethernet switch with various specifications of PoE, so as to focus on low carbon design and to continue providing the end users with cost-effective products of fast product cycle with stable quality. 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. Telecommunications equipment

Regarding 5G phase 2 development trends, we develop high time precision design, testing professional, and safe and confidential research and development technology. We also focus on the transmission work of optical fiber with product consistency, high stability, low carbon, security and confidentiality, high time precision, and low latency. Under the open architecture in the telecommunications field, we continue to promote the layered structure of hardware and software, and to accelerate the cycle of telecommunication product innovation in order to contribute to the entire telecommunications industry. We will actively develop backhaul network, aggregation network, edge computing, fronthaul network, optical transmission network and provide more value-added products to create high-margin, high-variance, environmentally friendly products. 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 equipment, AI and front-end technology

In the huge wave of demand for data, higher-speed Ethernet port, high-speed long-distance optical transmission, intelligent offloading equipment, artificial intelligence, more powerful computing and storage capabilities are indispensable elements. We will focus on continuous improvement in product specifications, signal quality technology, heat dissipation processing and low-carbon product design. Currently, it has covered the speeds of 400G, 600G, and 800G, and continues to move towards higher transmission speeds and longer transmission distances. 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; we actively cooperate

with third-party software manufacturers to help quickly develop network software systems, to promote network layered architecture, to enhance the opportunities for the network to open the market, and to accelerate ecological transformation. 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 powerful computing power, we continue to research and development of data download server card, to enhance the efficiency of the server, artificial intelligence card, programmable Ethernet switch, and Cutting-edge technology products, and to 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. Moreover, Accton will also devote energy to these high-end technology research and development energy, looking forward to making achievements and developing a new road in response to the needs of a large amount of computing energy, high-speed data center heat dissipation, and a friendly environment,

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 WIFI wireless technology and design and measurement of antennas, so as to provide products of better quality and low carbon to the customers. Accton also takes part in open community, to develop relevant 5G wireless products. Accton integrates cloud, researches and develops more stable and high value-added end-to-end systems, continuously improves intelligent automation of factory production, and 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 and society trends, and adjusts the R&D paces, hoping to achieve favorable competitiveness in line with corporate social responsibility, increase the operating income, and create a better future. In 2022, 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 (including cyber security risks) 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.

In terms of cyber security risks, the Company regularly assesses risks and confirms the evaluation on each kind of control measures on a yearly basis, confirms whether the organization has new or changed assets, assigns appropriate asset value, confirms whether new threats and weaknesses arise, and judges the possibility of threats exploiting weaknesses to generate risks in each information asset to effectively identify and control Accton's cybersecurity risks and risk management and subsequent improvement measures, with a view to reducing the risks to an acceptable level and ensuring smooth business operations. Overall, the technological changes and information security risks currently have no significant impact on the Company's financial business.

(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 11 to 13, machine combination increased, production capacity raised.
- 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.Due to the recovery of the semiconductor industry, the overall labor shortage in the market of talents has become more severe.
- 3.In response to the COVID-19, strict border controls have be practical by many countries, affecting the recruitment and return of foreign employees.

Countermeasures

- 1.The production strategy alliance is established, and the production flexibility is adjusted to avoid the impact on the manpower or production capacity.
- 2.Optimize the product lines in Taiwan by means of new production lines and equipment, automation and technology upgrading.
- 3.Integrate SMT production line of Headquarters with Zhunan Factory, and reduce management and plant rental costs.

4. Continue to negotiate with customers about business strategies of offsite support and maintenance, and regulate production capacity in a flexible way.
5. 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 ensure 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.

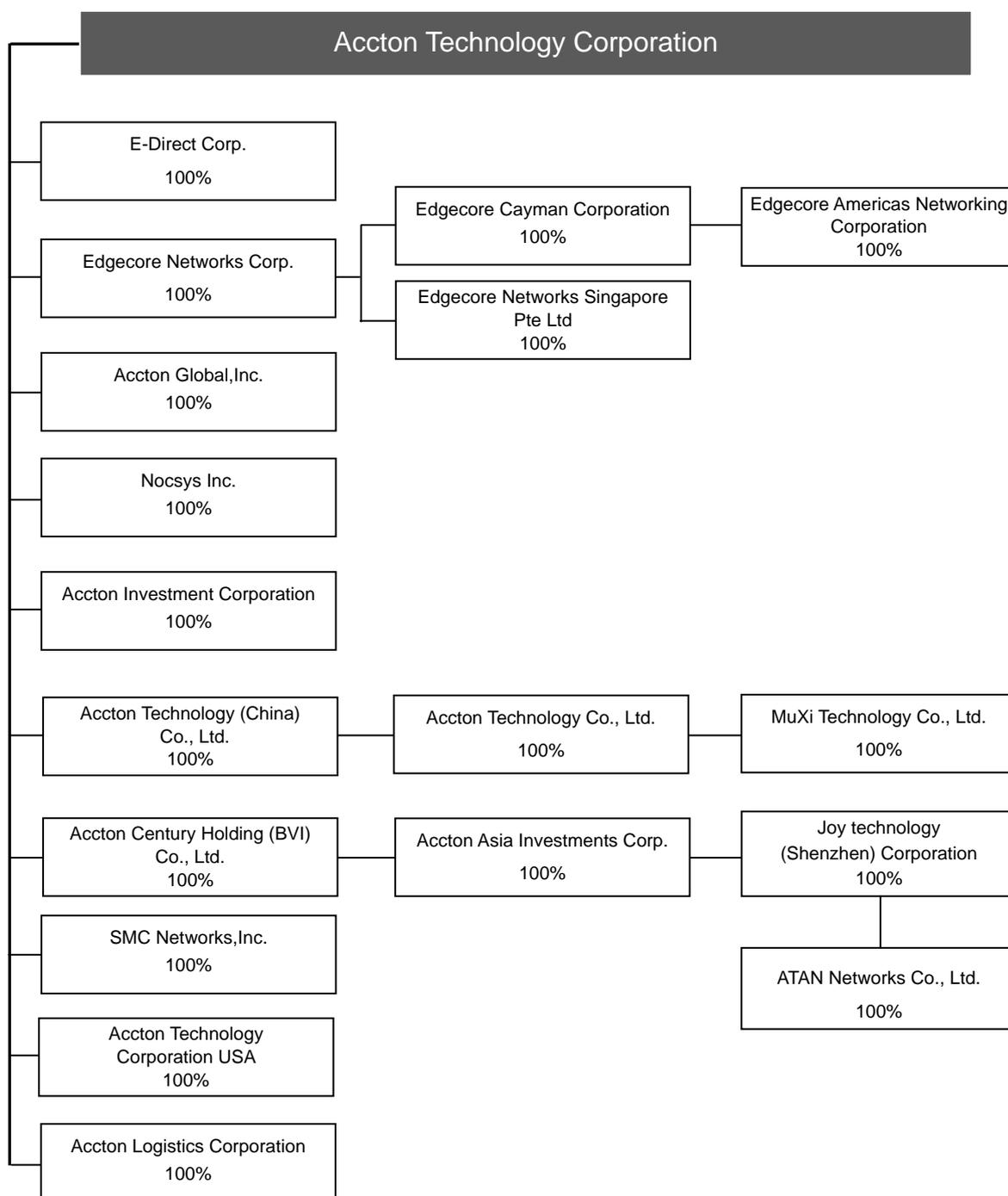
VII. Other Important Matters: None.

VIII. Specially Recorded Items

I. Relevant Information about Related Companies

1, Structure Overview of Related Companies

(1) Organizational Structure of Related Companies



Note: As of December 31, 2021

(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	1,347,481,992	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.,421HongCao 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	199,434,330	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

Company Name	Date of Establishment	Address	Paid-up capital		Main Business or Production Items
Edgecore Networks Singapore Pte Ltd.	1997/8/1	10 Anson Road , #06-21, International Plaza , Singapore 079903	SGD	3,556,900	Sales and marketing of high-quality local area network products
Edgecore Cayman Corporation	2017/7/5	PO Box 61,3rd Floor Harbour Centre, North Church Street, Grand Cayman, KY-1102, Cayman Islands.	NTD	30,285,000	Holding company 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	2F,66#,No.,421HongCao Rd.,Shanghai,China	CNY	22,905,500	Sales of computer and network related products
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	Paul Kim	0	0.00%
	Director	Li, Hsun-Te	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%

Company Name	Job Title	Name or Representative	Shares Held (Note 2) (Note 3)	
			Number of Shares	Shareholding Ratio
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%
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 Corporation	Chairman of the Board	Representative of Accton Technology Corporation: Ho Lawrence Yuklun	50,000,000	100.00%
	Director	Representative of Accton Technology Corporation: Siao Heimdall Fu	50,000,000	100.00%
	Director	Representative of Accton Technology Corporation: Shueh Youngcor	50,000,000	100.00%
	Supervisor	Representative of Accton Technology Corporation: Chen, Fang-I	50,000,000	100.00%
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%

Company Name	Job Title	Name or Representative	Shares Held (Note 2) (Note 3)	
			Number of Shares	Shareholding Ratio
Edgecore Cayman Corporation	Director	Edgecore Networks Corporation Representative : Ho Lawrence Yuklun	30,285,000	100.00%
Edgecore Americas Networking Corporation	Director	Ho Lawrence Yuklun	0	0.00%
	Director	Siao Heimdall Fu	0	0.00%
	Director	Shueh Youngcor	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	Ho, Yi-Chen	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	143,270	40,315	102,955	224,645	1,775	1,319	—
Accton Technology Corporation USA	60,855	188,514	22,356	166,158	122,046	6,186	1,760	—
SMC Networks, Inc.	1,337	131,681	20,922	110,759	89,928	(22,788)	(22,411)	—
Accton Century Holding (BVI) Co. Ltd.	1,664,416	4,651,982	0	4,651,982	0	(67)	240,378	—
Accton Asia Investments Corporation	1,347,482	4,575,342	2,026	4,573,316	0	(359)	261,283	—
Joy Technology (Shenzhen) Corporation	1,378,935	10,998,060	6,450,415	4,547,645	19,555,184	304,226	269,636	—
Accton Technology (China) Co., Ltd.	220,127	49,899	0	49,899	0	0	(42,401)	—
Accton Technology Co., Ltd.	215,557	2,716,758	2,673,218	43,540	1,558,577	(675)	(42,218)	—
MuXi Technology (Nanjing) Co., Ltd.	4,342	2,466,166	2,448,432	17,734	6,047,433	64,490	13,073	—
Accton Investment Corporation	30,405	321,164	0	321,164	0	(1,042)	142,682	—
Nocsys Inc.	199,434	2,645	0	2,645	0	0	(75)	—
Accton Global, Inc.	277	3,034,144	2,969,790	64,354	9,649,877	6,675	9,682	—
Edgecore Networks Corporation	500,000	1,600,828	384,242	1,216,586	2,746,166	258,643	225,028	—
Edgecore Networks Singapore Pte Ltd.	72,774	28,869	4,185	24,684	27,159	2,778	1,718	—
Edgecore Cayman Corporation	30,285	34,574	0	34,574	0	(243)	22,431	—
Edgecore Americas Networking Corporation	277	646,577	655,377	(8,800)	1,420,823	28,457	23,859	—
ATAN NetworKs Co., Ltd.	99,444	78,541	67,852	10,689	77,875	6,149	(5,382)	—
E-Direct Corp.	38,519	126,010	45,344	80,666	76,530	25,793	21,082	—

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 2021 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:	27.6800	28.0090
SD Exchange Rate:	20.4600	20.8533
RMB Exchange Rate:	4.3415	4.3417

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.	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.

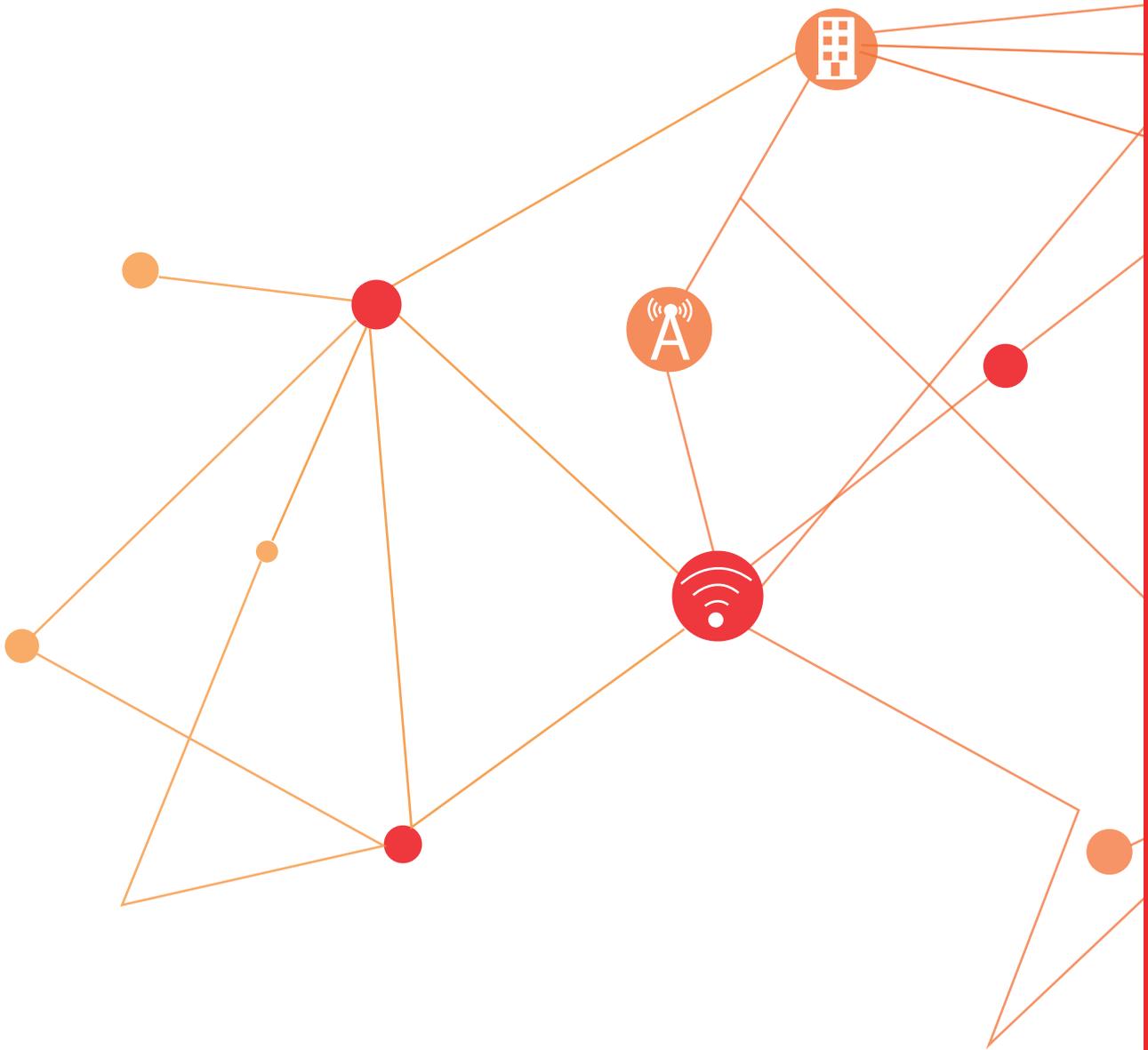
Accton Technology Corporation



Chairman: Kuan Xin Investment Co., Ltd

Representative : Lin, Meen-Ron

A handwritten signature in black ink, appearing to read "Meen-Ron Lin".



Accton

Making Partnership Work

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