

# 2022 Annual Report

## ACCTON TECHNOLOGY CORPORATION

Accton



Taiwan Stock Exchange Market  
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### Notice to readers

This English-version annual report is 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,

We are grateful to all shareholders for your love and support for Accton in the past year. This Report is hereby made related to the summary of the Company's business conditions as of 2022 and business plans for 2023.

## I. 2022 Business Results

### (I) Overview of Implementation of 2022 Business Plan and Accomplishments

In 2022, the Company's consolidated revenue was NT\$77.205 billion, a increase of about 29.5% compared with the previous year, and the consolidated net profit after tax was NT\$8.166 billion, a increase of about 73.6% over the previous year. In terms of revenue distribution in various product lines, the network switch accounted for 59% of the total revenue, the network application equipment accounted for 27% of revenue, the network access equipment accounted for 9% of revenue, and the wireless network equipment accounted for 2% of revenue.

Looking forward to the future, with the Company mastering core technologies that are fundamental to the new era of network communication, we are striving to ensure the overall revenue will continue to grow with the increasing demand for information application and network infrastructure.

### (II) Budget Execution Status

In 2022, both revenue and profitability exceed internal objectives.

### (III) Research and Development Status

The Company will continue to invest in innovative, cutting-edge technologies for both hardware and software of network communication, and the key R&D focuses for 2022 are to lead in the industry with the following initiatives and activities:

1. Mass production of high-density 100G/400G switches for hyperscaler and generic Data Centers.
2. Development of Next Generation 800G Data Center switch systems architecture, including interconnect Solutions fiber optic transmission products that provide connections between data centers, fulfilling the transmission demand between Data Centers.
3. Development of Deep Learning Smart Network Interface Cards.
4. Continued innovation in the development of Artificial Intelligence and Machine Learning Systems.  
Mass production of artificial intelligence (AI) inference acceleration cards, required by data centers to support massive AI data calculations.
5. Development of other Internet and Telecommunications technologies, including: 5G Cell Site and Convergence Routers, millimeter wave wireless transmission devices, and network access solutions.
6. Development of hardware cooling technologies to increase computing performance and decrease power consumption.

## II. Summary of Business Plan for the Current Year

### (I) Business Policy

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

### (II) Production and Sales Policy

We have taken measures to expand, protect and diversify our supply chain, and to meet the stringent cyber security requirements of our customers and partners in the process. We have also found growth opportunities in emerging markets which attracted the interest of customers.

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 business opportunities, participate in relevant international social media network communication organizations.
3. Cultivate large international 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: develop new solutions for current and new partners, invest in talent recruitment and process improvements, etc. Recognize the importance of setting up labs, improving test cycles to increase our partners' confidence in doing business with us.

- (I). Design New Solutions for Current and New Partners
  - (a). Provide high-efficiency, high-quality products and services; maintain leadership in Ethernet and networking technology
  - (b). Strengthen cooperation and partnership to jointly develop new markets, continuously improve operation and strive for the best profits.
  - (c). Provide network equipment that fulfills the future network requirements in conjunction with chip manufacturers, software developers, solution providers, service integrators, and network service operators.
- (II). Invest in Talent Recruitment and Process Improvements
  - (a). Expansion of Research and Development engineering talent.
  - (b). Collaborating with educational institutions.
- (III). Research and Develop New Technology and Testing Capabilities
  - (a). Investment in new test labs and equipment.
  - (b). Investment in Automation Solutions to improve Test Cycle, thereby increasing customer confidence and shortening sales cycle.
- (IV). Continuously improve quality, increase productivity, strengthen production flexibility, fast delivery
  - (a). Increase overall production capacity and local production allocation in response to market and customer demand.
  - (b). Implement customer-oriented supply chains, optimize product production process, and implement production line intelligence.
  - (c). Implement quality management system (QMS) feedback management. Improve product planning quality, shorten product development cycle, improve customer satisfaction with high efficiency.
  - (d). 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

2022 was a polarizing year for the world economy. On one hand, we saw inflation rise around the world. Price spikes were driven by monetary easing and supply chain constraints from Covid and Russia's invasion of Ukraine. Geopolitical tensions between US and China persisted further. Towards the end of 2022, Covid began to ease, suggesting the light at the end of the pandemic tunnel. On a positive note, related to Accton's industry, we witnessed groundbreaking advancements in Artificial Intelligence. Artificial Intelligence based applications are proliferating at an increasing speed, confirmed by Microsoft's recent investment in and deployment of OpenAI's ChatGPT and Google's Bard AI. As the public is now able to physically experience AI in a Virtual Assistant application, we expect that Computation and Communication demands will increase. Accton has recognized this trend and developed Smart NIC Cards for deep learning and Training/Inference for AI/Machine Learning systems. Higher performance, Cooling, and Systems are 3 enablers required for adoption of AI/ML technologies and applications. At Accton, we are excited and continually motivated by the advancements in our collective high-tech community to pursue in the excellence of hardware design, architecture, and innovations.

We appreciate our customers and technology partners for their contributions to exciting ideas and initiatives. We thank our shareholders for their long-term support of our vision and recognize the efforts of our hardworking management and staff teams.

We wish you good health, good fortune and wisdom, best of luck 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 Commpass 1000 intelligent Internet series products, including remote network server (Commpass Remote), multi-port Ethernet bridge (Commpass Bridge) and remote network bridge (Commpass Remote Bridge), entering the market of corporate network.
  - Earned the “Outstanding Logo in Taiwan” by EtherHub 1000 and Commpass 1000.
  - Earned the “Award for Outstanding Manufacturer for Development of New Product” from China National Federation of Industry by MPX, the network card.
  - Earned the outstanding prize of the 3rd “Excellent Industrial Technology Development Award”.
  - Earned the “Innovative Product Award” from Hsinchu Science Park by EtherHub 1500.
  - Launched EtherHub 500 series products, the elf-type hub, and received favorable comments.
- 1995
- Increased paid-in capital to NT\$354 Million, including NT\$137.14 Million of capital transferred from surplus, NT\$34.98 Million of capital transferred from capital reserve, and increase in capital made in cash by issuing 8,200,000 shares with the premium of NT\$36 per share, and listed in TWSE on November 15, 1995.
  - Launched the second generation of accelerated multi-packet MPX Ethernet card characterized with multiple power, high performance and affinity.

- Earned the “National Gold Award for Product Image” by the multi-segment stacked network hub system.
  - Earned the 3rd “National Silver Award for Product Image” by the MPX network system.
- 1996
- Increased paid-in capital to NT\$711.775 Million, including NT\$97.29 Million of capital transferred from surplus and NT\$55.86 Million of capital transferred from capital reserve. Invested NT\$10.8 Million in the construction of East Company to get 30% of its equity.
  - Earned the “Outstanding Logo in Taiwan” and “National Silver Award for Product Image” by SwitchHub, the high-speed Ethernet switch.
  - Earned the “Outstanding Logo in Taiwan” by EtherHub 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 cithary 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 SGEN In January.
  - Held special agricultural products exhibitions in reconstructed area in March to help restore 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 NXCComm 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-Jye 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-Jye 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 artistics, and improve artistic atmosphere in the enterprise, Accton Technology Corporation invited Perfect Match to perform a music drama, The Edge of Heaven, to nourish the body, mind, and spirit of every participant with a wonderful journey of arts. The promotion of domestic arts and cultural activities also fulfilled corporate social responsibility.
  - In December, disposed of buildings of the Second Factory to Realtek.
- 2014
- Accton Technology Corporation announced the financial data of 2013: annual net profit after tax was NT\$559 Million, and EPS reached NT\$1.06.
  - In March, passed the scheme for making NT\$ 160 Million of increase in the capital of Metalligence Technology Corp., in order to continuously support the development of the system and cloud platform of intelligent life integration solutions.
  - In April, the Board of Directors approved the resignation of Mr. Huang, An-Jye, the Chairman of the Board, and Mr. Chang Shih-Ming, the Vice Chairman of the Board, which took effect on June 12, 2014.
  - In April, the Board of Directors approved the scheme of investment in Nocsys (Cayman) to develop cloud-based technologies.
  - In June, cash dividend was decided to be distributed at NT\$0.912671 per share during the Shareholders’ Meeting.
  - In June, the Board of Directors approved that Mr. Lee, Yen-Sung took over the position of the Chairman of the Board.

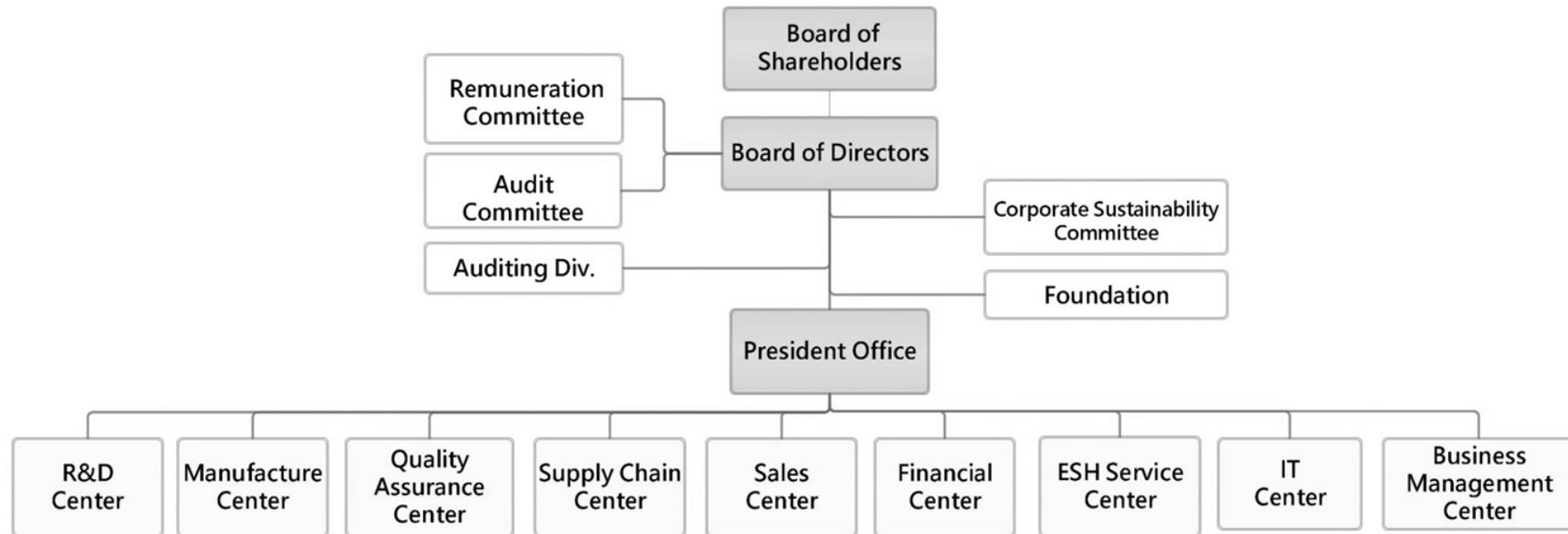
- 2015
- Accton Technology Corporation announced the financial data of 2014: annual net profit after tax was NT\$644 Million, and EPS reached NT\$1.21.
  - In February, the Board of Directors approved that Mr. Yu, Ji-Hsiang, the President, was in charge of Research and Development Center.
  - In March, Accton Group cooperated with Chunghwa Telecom to develop cloud smart home services jointly.
  - In March, the Board of Directors approved that Mr. Lin, Hsin-Hsuan, took over the position of Spokesman, and Mr. Chen, Wen-Shan took over the position of Deputy Spokesman.
  - In June, cash dividend was decided to be distributed at NT\$1.07515 per share during the Shareholders' Meeting.
  - In June, the Board of Directors approved that Ms. Lin, Yu-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\$4.705 billion and EPS reached NT\$8.44.
  - In June, cash dividend was decided to be distributed at NT\$5.9987 per share during the Shareholders' Meeting.
  - The ground was officially broken for the construction at the AI Science Park in Zhubei; it will be the new hub for innovative research and development and smart manufacturing of the Group.
  - The public interest platform was created in August to even out digital difference. Accton was honored with the Gold Award of TSAA.
  - In October, Accton won the Ministry of Economic Affairs Gold Trade Award; its performance in exploring emerging markets is recognized.
  - In November, Accton was named one of the Top 100 Sustainability Role Model Enterprises and won the 2022 TCSA and its Corporate Sustainability Report was rated Gold class; the Company's accomplishments in human rights and development leadership were recognized, too.
- 2023
- Accton Technology Corporation published its 2022 financial data, the annual consolidated net profit after tax was NT\$8.166 billion and EPS reached NT\$14.64.
  - In March, Accton's Board of Directors approved the appointment of Ms. Chen, Fang-I as the Chief Financial Officer.
  - Accton Vietnam opened in March to become part of the Asian and global market deployment and to provide Asian customers with better products and services.

### III. Management Report

#### I. Corporate Organizational System

##### (1) Organizational Chart



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

(I) Director

1. Information on the Board of Directors.

April 17, 2023

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	93,669	0.02	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	0	0.00	1,119,115	0.20	249,079	0.04	—	—	MBA, University of Hawaii Chairman of the Board of Wanyuan Textile Co., Ltd. Supervisor of Accton Technology Corporation	Chairman of the Board of Chien Shun Trading Co., Ltd., Wan Yuan Textiles Co., Ltd., Chong Tai Transportation Co., Ltd., Ting Fang Investment Co., Ltd., Valley View Industrial Co., Ltd., Ting Chien Co., Ltd., and Ting Sing Co., Ltd.; Supervisor of The World Champion Co., Ltd., Tai Ve Corporation Summit Packing Industrial Co., Ltd.; Director of Ve Wong Co., Ltd., South China Insurance Co., Ltd., Taiwan Secom Co., Ltd., The Ambassador Hotel Co., Ltd., Fujitec Taiwan Co., Ltd., Toray International Taipei Inc.Co., Ltd. and Accton Technology Corporation	—	—	—	—
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 Independent Director of Aethertek	—	—	—	—

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	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 Labsand 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: Mr. Avigdor Willenz resigned as independent director on January 16, 2023.

(II) 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 Corporate Shareholders

April 17, 2023

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	98.00%
	Huang, Kuo-Hsiu	1.00%
	Lin, Meen-Ron	0.00%
	Li, Wei-Shuo	1.00%

Table 2: Major shareholders of major shareholders that are corporations

April 17, 2023

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 Professionalism of Directors and Supervisors and Independence of Independent Directors

Name	Professional qualification and experience	Independence	Number of Other Public Companies where the Individual Concurrently Serves as a Independent Director
Chairman Kuan Xin Investment Corp. Legal Representative: Lin, Meen-Ron	Master of Business Administration, University of Southern California. Former Chief Financial Officer of Accton. Current Chairman of the Company and Chairman of Affiliate ATAN Networks Co., Ltd. and director of E-Direct Corp., with more than 25 years of professional skills and practical experience in financial administration and decision-making/leadership. None of the conditions indicated under Article 30 of the Company Act.	N/A	0
Director Huang, Kuo-Hsiu	Master of Business Administration, Peking University. Current Assistant Vice President and Director of the Company and also the Chairman of affiliates Technology Co., Ltd. E-Direct Corp., and MuXi Technology Co. Corporation, Ltd., with abundant leadership on international markets and professional practical experience to help the Company explore various innovative business models and opportunities. None of the conditions indicated under Article 30 of the Company Act.	N/A	0

<p>Director Ting Sing Co., Ltd. Representative: Du, Heng-Yi</p>	<p>Master of Business Administration, University of Hawaii. Current Chairman of Wan Yuan Textiles 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., Fujitec Taiwan Co., Ltd., and Accton, with several decades of professional skills and abundant practical experience in different industrial fields to help provide more valuable experience-based analyses of financial and operational soundness. None of the conditions indicated under Article 30 of the Company Act.</p>	<p>N/A</p>	<p>0</p>
<p>Independent director Huang, Shu-Chieh</p>	<p>Master of Management, National Chiao Tung University. Former CEO at Deloitte &amp; Touche and current Independent Director at Accton. Specializing in finance, accounting, and taxation risk management with abundant professional experience. None of the conditions indicated under Article 30 of the Company Act.</p>	<p>(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.)</p>	<p>0</p>
<p>Independent director Lee, Fa-Yauh</p>	<p>Graduated from the School of Medicine, Kaohsiung Medical University. Former acting superintendent at the Taipei Veterans General Hospital and current chief editor of the Journal of the Chinese Medical Association and independent directors of Aethertek and Accton. Abundant experience in medical studies and managerial ability. None of the conditions indicated under Article 30 of the Company Act.</p>	<p>(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.</p>	<p>1</p>
<p>Independent director Eizo Kobayashi</p>	<p>Bachelor of Solid State Physics, Osaka University. Former Chairman of ITOCHU Corporation. With abundant experience and managerial skills in corporate management, investment, and technology. None of the conditions indicated under Article 30 of the Company Act.</p>	<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>0</p>
<p>Independent director Ankur Singla</p>	<p>Master of Electrical Engineering, Stanford University, USA. Former Founder &amp; CEO of Volterra, SVP/GM, Contrail &amp; Appformix of Juniper Networks, Board of Directors of Right Relevance, Inc., Founder &amp; CEO of Contrail Systems and current Sr VP of F5 Networks, Inc., with abundant practical experience and professionalism in the netcom field. None of the conditions indicated under Article 30 of the Company Act.</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. (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>0</p>
<p>Independent director Avigdor Willenz</p>	<p>Bachelor of Electrical Engineering, Technion-Israel Institute of Technology.</p>	<p>(7) Not a director, supervisor, or employee of other company whose</p>	<p>0</p>

<p>Founder of Galileo Technologies, Founder and CEO of Annapurna Labs, Founder and Former Chairman of Habana Labs, Lightbits Labs and current Director of DustPhotonics, Quantum Machines, Proteantecs Ltd., Empow Cyber Security Ltd., Chairman of Xsight Labs, with abundant experience in the technical field and in business development and operational and observational skills. None of the conditions indicated under Article 30 of the Company Act.</p>	<p>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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Note 1: 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 and related authentication has been done by the Company, which is in compliance with laws and regulations.

Note 2: Mr. Avigdor Willenz resigned as independent director on January 16, 2023.

### 3. Diversification and Independence of Board of Directors:

#### ● Diversification of Board of Directors:

In order to reinforce corporate governance and to promote the normalized composition and structure of the Board of Directors, the Company stipulates in Article 20 of the "Corporate Governance Best Practice Principles" that members of the Board shall possess the knowledge, skills and qualities necessary to perform their duties. 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 views.        | (7) Leadership.               | (8) Decision-making.   |

The Company's Board of Directors consists of 7 directors of different professional backgrounds. There are now 3 directors (42.9%) and 4 independent directors (57.1%), among them are 1 female director (14.3%) and 2 directors who are also the Company's employees/managers (28.6%, less than one-third of all directors). The independent directors are serving a term of less than 3 years on average. For the ages of the directors, 1 is 41~50 years old, 1 is 51~ 60 years old; 4 are 61~ 70 years old, and 1 is 71~ 80 years old. Meanwhile, all members of the Board of Directors are professionals of diversified backgrounds, with sufficient professional knowledge, experience, and outstanding views and abiding by high moral 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.

Diversification of Board of Directors membership is enforced as follows:

Name	Job Title	Nationality	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	Industrial Knowledge	International Market View	Leadership
Kuan Xin Investment Corp. Legal Representative: Lin, Meen-Ron	Chairman of the Board	R.O.C.	Female	√							√	√	√	√		√	√	
Ting Sing Co., Ltd. Representative: Du, Heng-Yi	Director	R.O.C.	Male		√							√		√			√	
Huang, Kuo-Hsiu	Director	R.O.C.	Male		√						√	√		√				
Huang, Shu-Chieh	Independent director	R.O.C.	Male		√		√					√	√		√			√
Lee, Fa-Yauh	Independent director	R.O.C.	Male		√		√								√		√	√
Eizo Kobayashi	Independent director	JPN	Male			√	√					√	√	√		√	√	
Ankur Singla	Independent director	U.S.A.	Male	√				√				√	√		√	√		√
Avigdor Willenz	Independent director	ISR	Male		√		√					√	√		√	√		√

Note 1: Mr. Avigdor Willenz resigned as independent director on January 16, 2023.

● Independence of Board of Directors:

Among the 7 directors are 4 independent directors, with a ratio of 57.1%. All independent directors meet the independence criteria and have served no more than three terms in a row. In addition, none of the directors are one another's spouse or relative within second degree of kinship and hence the requirements in Article 26-3 Paragraphs 3 and 4 of the Securities and Exchange Act are fulfilled.

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

April 17, 2023

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 、Kollective	—	—	—	—
Senior Vice President	R.O.C.	Yu, Ji-Hsiang	Male	2013.07.01	63,794	0.01	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	—	—	—	—	—
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	—	—	—	—	—
Vice President	M.Y.	Liew, Hin-Soon	Male	2011.07.08	106,331	0.02	0	0.00	—	—	Electronic Engineering, National Taiwan University	—	—	—	—	—
Vice President (Note 1)	R.O.C.	Cheng, Ming-Chang	Male	2022.08.29	0	0.00	0	0.00	—	—	EMBA, College of Business, University of Texas at Arlington, USA University of Texas at Arlington USA, College of Business EMBA	Juniper Networks Inc, Manufacturing OPS manager. Director, Bitmain Technologies Ltd. Senior Assistant Vice President, Accton Technology Corporation	—	—	—	—
CFO(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: Mr. Cheng, Ming-Chang took up the post of Vice President on August 29, 2022.

Note 2: Ms. Chen, Fang-I took up the post of Chief Financial Officer on March 9, 2023.

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

#### (I) Remuneration to Directors and Independent Directors (disclosing aggregate remuneration information with the name(s) indicated for each remuneration range)

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)		Accton	All Companies Listed in Financial Statements	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						
General Director	Chairman of the Board																								
	Director																								
	Director																								
Independent Director	Independent Director	—	—	—	—	40,000	40,000	720	720	40,720	40,720	12,250	12,250	216	216	14,000	—	14,000	—	67,186	67,186	0.82%	0.82%	None	
	Independent Director																								
	Independent Director																								
	Independent Director																								
	Independent Director																								

Note 1: Mr. Avigdor Willenz resigned as independent director on January 16, 2023.

- Specify the independent director remuneration payment 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 for their transportation and receive remuneration as director. The remuneration of the independent directors is reflective of the extent of each director's involvement in corporate operations and the value of his/her contribution, referring to the common practice in the industry. The remuneration proposal is reviewed by the Remuneration Committee and is then submitted to the Board of Directors for resolution.
- 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.

## (II) 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	17,199	38,617	551	551	8,266	10,350	26,800	—	37,800	—	52,816 0.65%	87,318 1.07%	None
Senior Vice President	Yu, Ji-Hsiang													
Senior Vice President	Li, Hsun-Te													
Senior Vice President	Chiang, Ying-Hui													
Senior Vice President of Research and Development	Lee, Kuan-Ze													
Senior Vice President	Liew, Hin-Soon													
Vice President	Cheng, Ming-Chang													
CFO	Chen, Fang-I													

Table for Remuneration Ranges of Directors

Table for Remuneration Ranges of Each Director of Accton	Director's Name			
	Total Remuneration of A+B+C+D		Total Remuneration of A+B+C+D+E+F+G	
	Accton	All Companies Listed in Financial Statements (H)	Accton	All Companies Listed in Financial Statements (I)
Less than NT\$1,000,000	—	—	—	—
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	—	—	—	—
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	—	—	—	—
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	—	—	—	—
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	General Director: Huang, Kuo-Hsiu Kuan Xin Investment Corp. Legal Representative: Lin, Meen-Ron Ting Sing Co., Ltd. Representative: Du, Heng-Yi  Independent Directors: Huang, Shu-Chieh, Lee, Fa-Yauh, Eizo Kobayashi, Ankur Singla, Avigdor Willenz	General Director: Huang, Kuo-Hsiu, Kuan Xin Investment Corp. Legal Representative: Lin, Meen-Ron Ting Sing Co., Ltd. Representative: Du, Heng-Yi  Independent Directors: Huang, Shu-Chieh, Lee, Fa-Yauh, Eizo Kobayashi, Ankur Singla, Avigdor Willenz	General Director: Ting Sing Co., Ltd. Representative: Du, Heng-Yi  Independent Directors: Huang, Shu-Chieh, Lee, Fa-Yauh, Eizo Kobayashi, Ankur Singla, Avigdor Willenz	General Director: Ting Sing Co., Ltd. Representative: Du, Heng-Yi  Independent Directors: Huang, Shu-Chieh, Lee, Fa-Yauh, Eizo Kobayashi, Ankur Singla, Avigdor Willenz
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	—	—	General Director: Huang, Kuo-Hsiu	General Director: Huang, Kuo-Hsiu
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	—	—	General Director: Kuan Xin Investment Corp. Legal Representative: Lin, Meen-Ron	General Director: Kuan Xin Investment Corp. Legal Representative: Lin, Meen-Ron
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	—	—	—	—
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	—	—	—	—
Over NT\$100,000,000	—	—	—	—
Total	8 persons	8 persons	8 persons	8 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)	Cheng , Ming-Chang	Cheng , Ming-Chang
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	Liew, Hin-Soon, Edgar Masri	Liew, Hin-Soon
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	Chiang, Ying-Hui, Chen, Fang-I	Chiang, Ying-Hui, Chen, Fang-I
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	Yu, Ji-Hsiang, Li, Hsun-Te	Yu, Ji-Hsiang, Li, Hsun-Te
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	—	Edgar Masri, Lee, Kuan-Ze
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	—	—
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	—	—
Over NT\$100,000,000	—	—
Total	8 persons	8 persons

## (IV). Names of Managers Entitled to Remuneration to Employees and Distribution Status:

Unit: NT\$ Thousand

Job Title	Name	Stock Amount	Cash Amount	Total	Ratio (%) of Total Remuneration to Net Income After Tax
CEO and General Manager	Edgar Masri	-	38,700	38,700	0.47%
Senior Vice President	Yu, Ji-Hsiang				
Senior Vice President	Li, Hsun-Te				
Senior Vice President	Chiang, Ying-Hui				
Senior Vice President of Research and Development	Lee, Kuan-Ze				
Vice President	Liew, Hin-Soon				
Vice President	Cheng, Ming-Chang				
CFO	Chen, Fang-I				
Corporate Governance Manager	Lin, Hsing-Hsuan				

(V) 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 2022 to Net Income After Tax (%)		Ratio of Total Remuneration of 2021 to Net Income After Tax (%)	
	Accton	All Companies Listed in Financial Statements	Accton	All Companies Listed in Financial Statements
Director	0.82%	0.82%	1.37%	1.37%
President and Vice Presidents	0.65%	1.07%	0.83%	1.33%

Analysis of Changes in Percentage:

The ratio (%) of remuneration to net profit after tax of Board Directors, President and Vice Presidents in 2022 was less than that in 2021 mainly because of the relatively conservative distribution policy adopted in light of the quickly changing market setting and upon careful evaluation of the operational performance in the future.

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 to 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. Status of Corporate Governance:

##### (I) Operational Status of the Board of Directors

###### 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 met 6 times throughout 2022. The attendance of directors in the meetings 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	6	0	100.00%	
Director	Ting Sing Co., Ltd. Representative: Du, Heng-Yi	6	0	100.00%	
Director	Huang, Kuo-Hsiu	5	1	83.33%	
Independent director	Huang, Shu-Chieh	6	0	100.00%	
Independent director	Lee, Fa-Yauh	6	0	100.00%	
Independent director	Eizo Kobayashi	6	0	100.00%	
Independent director	Ankur Singla	3	0	50.00%	
Independent director	Avigdor Willenz	3	0	50.00%	Resigned on January 16, 2023

Attendance of independent directors in each meeting of the Board of Directors in 2022:

Independent director	2022					
	March 7	March 17	May 12	June 16	August 11	November 10
Huang, Shu-Chieh	Attended in person					
Lee, Fa-Yauh	Attended in person					
Eizo Kobayashi	Attended in person					
Ankur Singla	Attended in person	Absent	Attended in person	Absent	Absent	Attended in person
Avigdor Willenz	Attended in person	Attended in person	Absent	Attended in person	Absent	Absent

## Other Required Disclosure

- I. 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 specified in case of the following conditions in respect of the operation of the Board of Directors:

(I) Issues specified in Article 14-3 of Securities and Exchange Act

Meeting of 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 6th Meeting of the 12th March 17, 2022	<ol style="list-style-type: none"> <li>1. Issuance of new shares with restricted employees' rights for your resolution.</li> <li>2. The Company intends to issue domestic unsecured convertible bonds for the first time with an aggregate principal amount of \$4,000,000 thousand, and the issuance period is three years; it is brought forth for your resolution.</li> <li>3. Long-term lease in the Nanliao Logistics Park for your resolution.</li> </ol>	V	None.	None.	Unanimously approved by all the independent directors present.
The 10th Meeting of the 12th November 10, 2022	<ol style="list-style-type: none"> <li>1. Intended extension of endorsement/guarantee for Accton Global, Inc., a wholly-owned subsidiary of the Company for your resolution.</li> <li>2. Endorsement/guarantee for Vietnam Accton Technology Company Limited, a wholly-owned subsidiary of the Company for your resolution.</li> </ol>	V	None.	None.	Unanimously approved by all the independent directors present.
The 11th Meeting of the 12th March 9, 2023	<ol style="list-style-type: none"> <li>1. Change of Chief Financial Officer for your resolution.</li> </ol>	V	None.	None.	Unanimously approved by all the independent directors present.

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

- II. In regards to the recusal of directors 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 shall be specified:

Director Du, Heng-Yi, a stakeholder, excused himself and did not take part in the discussion about the long-term lease in the Nanliao Logistics Park.

III. 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	2022.01.01 ~ 2022.12.31	Meeting of Board of Directors	Evaluated by Chainye Management Services Inc.	<p>The five main criteria of performance evaluation of the Company's BOD:</p> <ol style="list-style-type: none"> <li>1. Degree of participation in the Company's operations.</li> <li>2. The Board's decision making quality.</li> <li>3. Composition and structure of the Board.</li> <li>4. Election and continuing education of the directors.</li> <li>5. Internal control.</li> </ol> <p>The measurement items for the performance evaluation of the Board Members include the following six aspects:</p> <ol style="list-style-type: none"> <li>1. Execution of the Company's goals and tasks.</li> <li>2. Understanding of the director's roles and responsibilities.</li> <li>3. Degree of participation in the Company's operations.</li> <li>4. Management and communication of the internal relations.</li> <li>5. Expertise and continuing education of the directors.</li> <li>6. Internal control.</li> </ol>
Once a year	2022.01.01 ~ 2022.12.31	Functional Committees	Evaluated by Chainye Management Services Inc.	<p>The five main criteria of performance evaluation of the Company's functional committees:</p> <ol style="list-style-type: none"> <li>1. Degree of participation in the Company's operations.</li> <li>2. Awareness of the Remuneration Committee's roles and responsibilities.</li> <li>3. Improvement in the Remuneration Committee's decision-making quality.</li> <li>4. Composition and member selection of the Remuneration Committee.</li> <li>5. Internal control.</li> </ol>

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

The Board of Directors of the Company adopted "Performance Evaluation Method for the Board of Directors and Functional Committees" on May 13, 2020, completed the performance evaluation of the Board of Directors and the functional committees on March 9, 2023, and reported the performance evaluation results respectively to the audit committee, remuneration committee and the Board of Directors. The current external assessment was performed by Chainye Management Services Inc. and combined data analysis (including the data in the Market Observation Post System and self-evaluation questionnaires completed by the Board of Directors, Board members, and respective functional committees from January 1, 2022 to December 31, 2022) and video-conferencing interviews with the directors and independent directors of the Company.

Evaluation outcome: The self-evaluations completed by respective directors and findings from the video-conferencing interviews between the Company and the Company's directors and independent directors are compiled and evaluated. We believe that the Board of Directors has had related policies and procedures regarding its options prepared according to applicable laws and regulations and domestic corporate governance indicators in respective aspects. The Board of Directors consists of directors with related professional skills and their duties are assigned reflective of their expertise and experience. The Board of Directors and respective functional committees are able to function effectively. The evaluation outcome is excellent.

Optimization advice:

1. Three foreign independent directors are added for the current intake. Last year, due to the pandemic, most meetings took place through video-conferencing. In addition, to meet the linguistic demand of foreign directors, meeting materials of the Company had to be prepared in English or in both Chinese and English. It is advised that the Company can provide meeting materials to respective directors earlier so that they have more sufficient time to read and understand what is included in the meeting materials

and can discuss and provide advice more efficiently during the Board of Directors' meeting and each functional committee's meeting.

2. The Company is in the netcom business and has paid quite attention to issues such as sustainable development, information security, and risk management. In order to more effectively keep track of the challenges and opportunities in future operational developments, it is advised that the Company, to go with its corporate governance goals, can add related functional committees for strengthened management and become a role model in corporate governance.
3. The Company's Board of Directors and respective functional committees have sufficiently communicated and discussed matters that should be discussed under applicable regulatory requirements of the competent authority. In light of the fact that the Company has foreign directors, it is advised that the chair of the Board of Directors and the convener of each functional committee set the action plan and goals for the term in office of each intake or for respective years within the term in office and reach a consensus among all directors to make the Board of Directors and functional committee meetings more efficient and further strengthen the supervisory and managerial functions they have towards the Company.

(II) 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. The Company's Audit Committee was formed on June 13, 2018, with a total of 5 members.
2. Tenure of current committee: from July 8, 2021 to July 7, 2024.
3. The Audit Committee met 5 times throughout 2022, with the attendance of 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%	
Member of Committee	Lee, Fa-Yauh	5	0	100.00%	
Member of Committee	Eizo Kobayashi	5	0	100.00%	
Member of Committee	Ankur Singla	2	0	40.00%	
Member of Committee	Avigdor Willenz	2	0	40.00%	Resigned on January 16, 2023

Other Required Disclosure

I. If the Audit Committee has any of the following circumstances, the date and session number of the meeting of the Audit Committee, proposal contents, independent directors' dissenting opinions, reservation, or major recommendations, the resolution made by the Audit Committee and the Accton's reactions towards the Audit Committee's opinions shall be specified:

(I) Issues specified in Article 14-5 of 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 6th meeting of the 2nd intake March 17, 2022	<ol style="list-style-type: none"> <li>1. Approval of 2021 Financial Statements.</li> <li>2. Approval of 2021 "internal control system effectiveness evaluation" and "internal control system statement".</li> <li>3. Approval of the amendment to the "Procedure for the Acquisition or Disposal of Assets".</li> <li>4. Approval of the issuance of new shares with restricted employees' rights.</li> <li>5. Approval of the issuance of domestic unsecured convertible corporate bonds for the first time, with a total face value up to NT\$4,000,000 thousand and a tenor of 3 years.</li> <li>6. Approval of the long-term lease in the Nanliao Logistics Park.</li> </ol>	V	None.	Unanimously approved by all the independent directors present.
The 7th meeting of the 2nd intake May 12, 2022	<ol style="list-style-type: none"> <li>1. Approval of the Financial Report for the first quarter of 2022.</li> <li>2. Approval of the investment in the Vietnam plant.</li> </ol>	V	None.	Unanimously approved by all the independent directors present.
The 8th meeting of the 2nd intake June 16, 2022	<ol style="list-style-type: none"> <li>1. Approval of the investment to set up a plant in Vietnam.</li> </ol>	V	None.	Unanimously approved by all the independent directors present.
The 9th meeting of the 2nd intake August 11, 2022	<ol style="list-style-type: none"> <li>1. Approval of the Financial Report for the second quarter of 2022.</li> </ol>	V	None.	Unanimously approved by all the independent directors present.
The 10th meeting of the 2nd intake November 10, 2022	<ol style="list-style-type: none"> <li>1. Approval of the Financial Report for the third quarter of 2022.</li> <li>2. Approval of public expenditure on CPAs for 2022.</li> <li>3. Approval of the amendment to the "Operating Procedure for Handling Major Internal Information"</li> <li>4. Approval of the extension of endorsement/guarantee for Accton Global, Inc., a wholly-owned subsidiary of the Company.</li> <li>5. Approval of endorsement/guarantee for Vietnam Accton Technology Company Limited, a wholly-owned subsidiary of the Company.</li> </ol>	V	None.	Unanimously approved by all the independent directors present.
The 11th meeting of the 2nd intake March 9, 2023	<ol style="list-style-type: none"> <li>1. Approval of 2022 Financial Statements.</li> <li>2. Approval of 2022 "internal control system effectiveness evaluation" and "internal control system statement".</li> <li>3. Approval of public expenditure on CPAs for 2023.</li> <li>4. Delegation of Deloitte &amp; Touche to provide non-assurance service and public expenditure.</li> <li>5. Approval of the amendment to the "Procedure for the Acquisition or Disposal of Assets".</li> <li>6. Approval of the change of Chief Financial Officer.</li> <li>7. Approval of investment in establishing ACCE Technology.</li> </ol>	V	None.	Unanimously approved by all the independent directors present.

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

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

There was no recusal due to conflict of interests in 2022.

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

(I) endent 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
2022.03.17	(Individual meeting between the audit supervisor and independent directors) <ul style="list-style-type: none"> <li>Internal audit operation status discussion</li> <li>Internal audit report of the 4th quarter of 2021.</li> <li>Discussion of "Statement about Internal Control System" of 2021.</li> </ul>	Execute according to the audit plan. The audit committee reviewed or approved and the independent directors have no objection.
2022.05.12	<ul style="list-style-type: none"> <li>Internal audit report of the 1st quarter of 2022.</li> </ul>	The audit committee reviewed or approved and the independent directors have no objection.
2022.06.16	<ul style="list-style-type: none"> <li>Review on the implementation report of the internal audit.</li> </ul>	The audit committee reviewed or approved and the independent directors have no objection.
2022.08.11	<ul style="list-style-type: none"> <li>Internal audit report of the 2nd quarter of 2022.</li> </ul>	The audit committee reviewed or approved and the independent directors have no objection.
2022.11.10	(Individual meeting between the audit supervisor and independent directors) <ul style="list-style-type: none"> <li>Internal audit report of the 3rd quarter of 2022.</li> <li>Discussion of the 2023 Internal Audit Plan.</li> </ul>	The audit committee reviewed or approved and the independent directors have no objection.

(II) In addition to reporting the audit or review of financial reports to the independent director, the Company'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 the Company maintained smooth communication. The communications between the independent directors and the accountants are shown in the following table:

Meeting Date	Issues communicated with CPAs	Recommendation from Independent Directors
2022.03.17	(Individual meeting between CPA and independent directors) <ul style="list-style-type: none"> <li>Discussion on the audit of the financial statements of 2021, including any audit issues or difficulties, and the response of the management.</li> </ul>	Passed unanimously without special comments by all independent directors present.
2022.05.12	<ul style="list-style-type: none"> <li>Discussion on the audit of the financial statements for the 1st quarter of 2022, including any audit issues or difficulties, and the response of the management.</li> </ul>	Passed unanimously without special comments by all independent directors present.
2022.08.11	<ul style="list-style-type: none"> <li>Discussion on the audit of the financial statements for the 2nd quarter of 2022, including any audit issues or difficulties, and the response of the management.</li> </ul>	Passed unanimously without special comments by all independent directors present.
2022.11.10	<ul style="list-style-type: none"> <li>Discussion on the audit of the financial statements for the 3rd quarter of 2022, including any audit issues or difficulties, and the response of the management.</li> </ul>	Passed unanimously without special comments by all independent directors present.
2023.03.09	(Individual meeting between CPA and independent directors) <ul style="list-style-type: none"> <li>Discussion on the audit of the financial statements of 2022, including any audit issues or difficulties, and the response of the management.</li> </ul>	Passed unanimously without special comments by all independent directors present.



Items of Evaluation	Yes	No	Implementation			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons			
			Summary						
			Group New Employee Power Camp	Physical session	Inheritance and recognition of internal corporate culture	6	207		
			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	288		
			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.	125	722		
			Group personnel training	Physical session	Advocate group trade secret control regulations	2	1,241		
			Group personnel training	Online Training	Advocate group trade secret control regulations	1	299		
			Group personnel training	Online Training	Promote awareness of the Group's business information security and related control items	4	324		
			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	161		
			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	1	206		
III. Composition and Responsibilities of the Board of Directors	V		Article 20 of the “Code of Corporate Governance Practice” sets out the diversification policy for Board members. 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 7 seats on the Board of Directors, including 4 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 16 of the Annual Report.				No discrepancy		
(I) Does the Board of Directors formulate and implement diversified policies and specific management objectives?									

Items of Evaluation	Yes No	Implementation		Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons												
		Summary														
(II) 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. Refer to Page 40 of the Annual Report.		No discrepancy												
(III) 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	In order to consolidate corporate governance, enhance the functions of the Board of Directors, and to strengthen the operational efficiency of the Board of Directors, the Company prepared the “Board of Directors Performance Evaluation Guidelines” where it says that the Board of Directors shall complete one performance evaluation of the Board of Directors (including its functional committees). The Company completed on March 9, 2023 the performance evaluation of the Board of Directors and its functional committees and reported the results to the Audit Committee, the Remuneration Committee, and the Board of Directors, respectively. The current assessment was performed by Chainye Management Services Inc. and combined data analysis (including the data in the Market Observation Post System and self-evaluation questionnaires completed by the Board of Directors, Board members, and respective functional committees from January 1, 2022 to December 31, 2022) and video-conferencing interviews with the directors and independent directors of the Company. Evaluation outcome: The self-evaluations completed by respective directors and findings from the video-conferencing interviews between the Company and the Company's directors and independent directors are compiled and evaluated. We believe that the Board of Directors has had related policies and procedures regarding its options prepared according to applicable laws and regulations and domestic corporate governance indicators in respective aspects. The Board of Directors consists of directors with related professional skills and their duties are assigned reflective of their expertise and experience. The Board of Directors and respective functional committees are able to function effectively. The evaluation outcome is excellent. For details, refer to Page 26 “Board of Directors Performance Evaluation” of this Annual Report.		No discrepancy												
(IV) Does the Company regularly implement assessments on the independence of CPAs?	V	The CPAs' firm of the Company is Deloitte & Touche. The Company's Audit Committee evaluates the independence and suitability of its CPAs on a yearly basis. CPAs are asked not only to provide the “CPA Independence Statement” but also to perform evaluations according to the items provided in evaluation criteria to be followed by the CPAs. (Refer to Page 64). The Board of Directors decided on March 9, 2023 to approve the delegation of CPAs and the independence evaluation. The evaluation outcome fulfilled the evaluation criteria of the Company for independence.		No discrepancy												
IV. Does the Company, if listed at TWSE/TPEX, appoint adequate persons and a chief governance officer to be in charge of corporate governance matters (including but not limited to providing directors and supervisors required information for business execution, assisting directors and supervisors in following laws and regulations, handling matters in relation to the Board meetings and shareholders' meetings and keeping minutes at the Board meetings and shareholders' meetings according to law)?	V	<p>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.</p> <p>The 2022 operational highlights of the Company are as follows:</p> <table border="1"> <thead> <tr> <th>Main Responsibilities</th> <th>Implementation</th> </tr> </thead> <tbody> <tr> <td>Dealing with the affairs related to the meetings of Board of Directors and Shareholders, and assisting to comply with relevant laws and regulations of Board of Directors and Shareholders.</td> <td>Meetings were held in accordance with laws and regulations.</td> </tr> <tr> <td>Making minutes of meetings of Board of Directors and Shareholders.</td> <td>Minutes were made in accordance with laws and regulations.</td> </tr> <tr> <td>Providing information and the latest regulations required for Directors to fulfill their duties in accordance with laws and regulations.</td> <td>Two training courses were held for Directors this year, and they had obtained certificates accordingly.</td> </tr> <tr> <td>Review the compliance with corporate governance every year.</td> <td>Propose improvement plans and countermeasures for standards that are yet to be reached.</td> </tr> <tr> <td>Making amendments to other measures.</td> <td>Executed.</td> </tr> </tbody> </table>		Main Responsibilities	Implementation	Dealing with the affairs related to the meetings of Board of Directors and Shareholders, and assisting to comply with relevant laws and regulations of Board of Directors and Shareholders.	Meetings were held in accordance with laws and regulations.	Making minutes of meetings of Board of Directors and Shareholders.	Minutes were made in accordance with laws and regulations.	Providing information and the latest regulations required for Directors to fulfill their duties in accordance with laws and regulations.	Two training courses were held for Directors this year, and they had obtained certificates accordingly.	Review the compliance with corporate governance every year.	Propose improvement plans and countermeasures for standards that are yet to be reached.	Making amendments to other measures.	Executed.	No discrepancy
Main Responsibilities	Implementation															
Dealing with the affairs related to the meetings of Board of Directors and Shareholders, and assisting to comply with relevant laws and regulations of Board of Directors and Shareholders.	Meetings were held in accordance with laws and regulations.															
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Review the compliance with corporate governance every year.	Propose improvement plans and countermeasures for standards that are yet to be reached.															
Making amendments to other measures.	Executed.															
V. Does the Company establish the channels for	V	The Company respects and protects the legitimate rights and interests of stakeholders. The Company's website (www.accton.com) has contact		No discrepancy												

Items of Evaluation	Implementation		Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
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?		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 sustainability report is provided every year to enable stakeholders to understand the Company. Please refer to the Accton 2022 Sustainability Report and the corporate website for details. Accton has established employee communication channels, which enables employees to give opinions by email or writing.	
VI. Does the Company appoint a professional stock affairs agency to deal with the affairs of the Board of Shareholders?	V	Accton appoints the professional stock affairs agency, Yuanta Securities Finance Co., Ltd., to be responsible for serving for shareholders and dealing with stock affairs.	No discrepancy
VII. Disclosure of Information			
(I) Does the Company establish a website to disclose information on financial operations and corporate governance?	V	Financial, business and corporate governance information are updated and disclosed at any time and regularly through the corporate website ( <a href="http://www.accton.com">http://www.accton.com</a> ). In addition, Accton’s governance condition is explained to investors at the meetings of corporate description and Board of Shareholders.	No discrepancy
(II) 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	The Company has a corporate website ( <a href="http://www.accton.com">www.accton.com</a> ) that fully discloses financial, business and corporate governance related information for shareholders' reference. A dedicated person is responsible for data collection and update. Accton has established "Procedures for Handling Material Internal Information" to established an optimized internal material information handling and disclosure mechanism and implemented a spokesperson system. In addition to announcing monthly revenue, Accton also actively announces quarterly profit and loss, holds roadshows regularly, which are disclosed on Accton's website to enhance the transparency of corporate information.	No discrepancy
(III) Does the Company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as 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

Items of Evaluation	Implementation		Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
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	<p>(I) 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</p> <p>(II) 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 implementation of risk management policies and measurement standards, implementation of customer policies, liability insurance purchased by the Company for the Directors and Supervisors)? websites to let investors know about its operation status, and communicates with investors through the Board of Shareholders and spokespersons.</p> <p>(III) 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>(IV) Rights of stakeholders: Interested parties must communicate with and make suggestions to Accton to protect their legitimate rights and interests.</p> <p>(V) Continuing education of directors: 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 "Market Observation Post System" (refer to Page 35).</p> <p>(VI) Implementation of Risk Management Policies and Risk Measurement Standards: Relevant measures for important management indicators have been established and implemented by Accton.</p> <p>(VII) 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>(VIII) Liability Insurance for the Company’s Directors: The Company has purchased liability insurance for all directors, with an insured amount of US\$15 million and an insurance period from October 25, 2022 to October 25, 2023. The amount, coverage and insurance rate of the directors' liability insurance were submitted to the Board of Directors for approval on November 10, 2022.</p> <p>(IX) Continuing education of managers: Continuing education is arranged for managers from time to time each year (refer to Page 36) and such information is disclosed in the “Market Observation Post System”.</p> <p>(X) Succession Plan of Directors and Key Management: The Company follows the future strategic development and operation plans and the Company’s diversification policy on the composition of the Board of Directors.</p> <p>I. Succession of Members of the Board of Directors The candidate nomination system is adopted for the Company’s directors. They serve a term of three years. The election of directors, unless specified otherwise in laws and regulations or in the Articles of Association, shall be based on the Company’s Directors Election Guidelines. The election of directors shall take into consideration the overall configuration of the Board of Directors. Diversification shall be considered for the composition of the Board of Directors and a suitable diversification policy is prepared reflective of its function, operational pattern, and developmental demand. It shall include, without limitation, the following criteria:</p> <p>(I) Basic requirements and values: gender, age, nationality, and culture, etc.</p> <p>(II) Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.</p> <p>Members of the Company’s Board of Directors shall possess the</p>	No discrepancy

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

knowledge, skills, and attainments needed to perform their duties. The capabilities expected of the Board of Directors as a whole for the sake of achieving the ideal goals of corporate governance are as follows:

- (I) Operational judgment.
- (II) Accounting and financial analysis.
- (III) Operation and management.
- (IV) Crisis management.
- (V) Industrial knowledge.
- (VI) International market views.
- (VII) Leadership.
- (VIII) Decision-making.

The Company plans succession of directors in the following ways:

- (I) Current directors recommend suitable candidates.
- (II) Shareholders recommend candidates.
- (III) The Board of Directors performance evaluation results serve as reference for extension of a director’s term.

II. Succession Plan of Key Management

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 Ms. Chen, Fang-I to the position of Chief Financial Officer in March 2023.

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.

1. The Company already completed the 2022 corporate governance evaluation as required by the Taiwan Stock Exchange. The Company is rated in the Top 21% to 35%.
2. Starting in 2020, the Company has included functional committees in the Board of Directors performance evaluation. The evaluation takes place each year. The 2022 Board of Directors Performance Evaluation was completed in March 2023. The evaluation outcome has been submitted to the Board of Directors.
3. The Company will continue to cooperate in the implementation and improvement of corporate governance evaluations in the future.

X. Continuing Education of the Company’s Directors in 2022:

Job Title	Name	Date of Education	Organized by	Name of Course	Hours of Education
Chairman of the Board	Lin, Meen-Ron	111.08.11	Taiwan Corporate Governance Association	How Does the Board of Directors Monitor ESG Risks to Realize Sustainable Corporate Competitive Advantages?	3 hours
		111.11.10	Taiwan Corporate Governance Association	How Do Directors and Supervisors Supervise Risk Management and Crisis Management for Reinforced Corporate Governance?	3 hours
Director	Huang, Kuo-Hsiu	111.08.11	Taiwan Corporate Governance Association	How Does the Board of Directors Monitor ESG Risks to Realize Sustainable Corporate Competitive Advantages?	3 hours
		111.11.10	Taiwan Corporate Governance Association	How Do Directors and Supervisors Supervise Risk Management and Crisis Management for Reinforced Corporate Governance?	3 hours
Director	Du, Heng-Yi	111.03.07	Taiwan Insurance Institute	Challenges in Information Security Facing the Insurance Sector and Future Trends	3 hours
		111.05.31	Taiwan Academy of Banking and Finance	FinTech and Anti-money Laundering	3 hours
		111.06.28	Taiwan Corporate Governance Association	Quick Interpretation and Get Ready for the ESG Disclosure Requirement of Corporate Governance 3.0.	3 hours
		111.08.25	Taiwan Insurance Institute	Impacts of Altered Financial Performance Evaluation Rules on the Operation of Insurance Companies	3 hours

Items of Evaluation	Yes	No	Implementation		Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
			Summary		
		111.09.16	Taiwan Insurance Institute	Analysis of the Principle of Treating Customers Fairly	3 hours
Independent director	Huang, Shu-Chieh	111.08.11	Taiwan Corporate Governance Association	How Does the Board of Directors Monitor ESG Risks to Realize Sustainable Corporate Competitive Advantages?	3 hours
		111.11.10	Taiwan Corporate Governance Association	How Do Directors and Supervisors Supervise Risk Management and Crisis Management for Reinforced Corporate Governance?	3 hours
Independent director	Lee, Fa-Yauh	111.08.11	Taiwan Corporate Governance Association	How Does the Board of Directors Monitor ESG Risks to Realize Sustainable Corporate Competitive Advantages?	3 hours
		111.11.10	Taiwan Corporate Governance Association	How Do Directors and Supervisors Supervise Risk Management and Crisis Management for Reinforced Corporate Governance?	3 hours
Independent director	Eizo Kobayashi	111.12.09	Taiwan Corporate Governance Association	Anti-Corruption, Anti-Bribery & Concerted Action	3 hours
		111.12.09	Taiwan Corporate Governance Association	Enterprise Risk Management- Updates & Development	3 hours
Independent director	Ankur Singla	111.12.09	Taiwan Corporate Governance Association	Anti-Corruption, Anti-Bribery & Concerted Action	3 hours
		111.12.09	Taiwan Corporate Governance Association	Enterprise Risk Management- Updates & Development	3 hours
Independent director	Avigdor Willenz	111.12.09	Taiwan Corporate Governance Association	Anti-Corruption, Anti-Bribery & Concerted Action	3 hours
		111.12.09	Taiwan Corporate Governance Association	Enterprise Risk Management- Updates & Development	3 hours

XI. The Company's managers (President, Vice President, accounting, financial, and internal audit officers) participate in the development and training related to corporate governance:

Continuing education and trainings throughout 2022 are provided as follows

Job Title	Name	Date of Education	Organized by	Name of Course	Hours of Education
Financial and Accounting Managers	Chen, Fang-I	111.07.11-111.07.19	Accounting Research and Development Foundation	Beginner Continuing Education for Heads of Accounting of Issuers/Brokerage Firms/Stock Exchange	30 hours
Audit Supervisor	Huang, Kuo-Ning	111.02.17	Internal Audit Committee	Interpretation of Financial Analysis Indicators and Prevention Against Operational Risk	6 hours
		111.05.19	Internal Audit Committee	Redefining Internal Audit through Case-sharing - Where Ethics/Morals and Laws Meet	6 hours
Corporate Governance Manager	Lin, Hsing-Hsuan	111.03.08	Accounting Research and Development Foundation	Using ESG to enhance corporate strategy capability	3 hours
		111.03.22	Taiwan Corporate Governance Association	The development trend of green industry - low-carbon investment prospects and business strategies	3 hours
		111.03.24	Accounting Research and Development Foundation	Case study on insider trading and its legal liability	3 hours
		111.04.22	Taiwan Corporate Governance Association	Net zero emissions, carbon neutrality and corporate compliance	3 hours
		111.08.11	Taiwan Corporate Governance Association	How Does the Board of Directors Monitor ESG Risks to Realize Sustainable Corporate Competitive Advantages?	3 hours
		111.11.10	Taiwan Corporate Governance Association	How Do Directors and Supervisors Supervise Risk Management and Crisis Management for Reinforced Corporate Governance?	3 hours

(IV) 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.

A. Responsibilities of the Company's Remuneration Committee:

(a) Establish and periodically review the performance evaluation and remuneration policy, system, standards and structure for Directors and managers.

(b) Regularly review and determine the remuneration of the directors and managers.

B. The Remuneration Committee shall perform its functions and powers according to the following criteria:

(a) 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.

(b) Directors and managers should not be guided to overstep the company's appetite for risk in pursuit of compensation.

(c) 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 the Company's business.

(1) Profile of Remuneration Committee Members

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 information on the independence of independent directors from Page 14 to Page 16.		None
Independent director	Huang, Shu-Chieh			None
Member of Committee	Chang, Chih-Ping	<p>Professional qualification and experience :</p> <p>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> <p>(1) Not an employee of the Company or any of its affiliates.</p> <p>(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.)</p> <p>(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.</p>		None

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- (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.
  - (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.
  - (7) Not a director, supervisor, or employee of other company whose chairman or general manager are the same person or spouse of the company.
  - (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.
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(2) Information on the operational status of the Remuneration Committee

1. The Company's Remuneration Committee was established on October 27, 2011 and consists of 3 members.
2. Tenure of current members: from July 8, 2021 to July 7, 2024.
3. The Remuneration Committee met 2 times (A) over 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	2	0	100%	
Member of Committee	Huang, Shu-Chieh	2	0	100%	
Member of Committee	Chang, Chih-Ping	2	0	100%	March 7, 2022, newly inaugurated

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 2nd meeting of the 5th intake March 9, 2022	<ul style="list-style-type: none"> <li>• The proposal for the distribution of remuneration for employees and directors of 2021</li> </ul>	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.

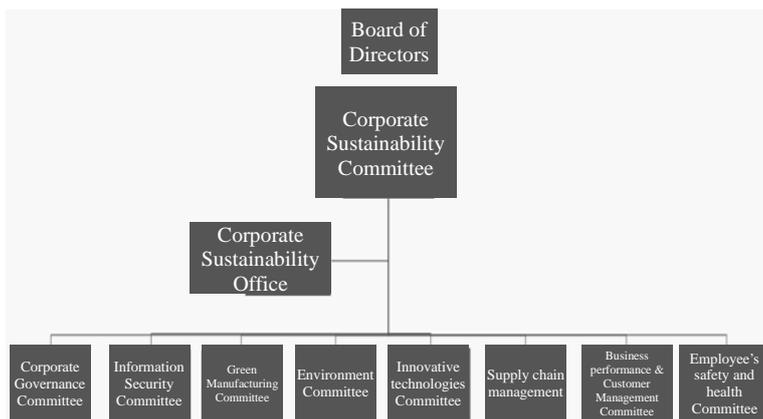
The 3rd meeting of the 5th intake June 16, 2022	<ul style="list-style-type: none"> <li>• Remuneration to new managers of the Company</li> </ul>	Adopted with the approval of all members of the Committee	It shall be submitted to the board of directors and approved by all the directors present.
The 4th meeting of the 5th intake February 24, 2023	<ul style="list-style-type: none"> <li>• 2022 Employee Remuneration and Director Remuneration Distribution Proposal</li> <li>• Remuneration to new managers of the Company</li> </ul>	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 the Company'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 opinions, 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.

(3) 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, all members of the committee worked together to define the mission and goals of the committee and the Corporate Sustainability Office was formed to follow up on the implementation strategy and status of the mission and goals, and report the accomplishments in sustainable developments and future action plans to the Board of Directors at least once a year. What was discussed in June 2022 by the Board of Directors included 1. Identification of stakeholder engagement and material issues, 2. Revision of goals and policies on issues concerning corporate sustainability, and 3. Supervision over consolidation of sustainable operation items, and their implementation status was evaluated. Accton will continue to 1. Abide by regulatory requirements, 2. Ensure freedom in employment, 3. Enforce humanitarian treatment and ban discrimination and harassment, 4. Provide reasonable compensation and welfare, 5. Protect intellectual property rights, 6. Stay transparent, 7. Adhere to ethical corporate management, 8. Manage and promote social involvement, 9. Adopt responsible mineral purchase policies and commitments, and advance the Company's overall developmental strategy about ESG. Please refer to Accton's Corporate Sustainability Report for details. Corporate Sustainability Committee and Corporate Sustainability Office Organizational Chart:</p>  <pre> graph TD     Board[Board of Directors] --&gt; CSC[Corporate Sustainability Committee]     CSC --&gt; CSO[Corporate Sustainability Office]     CSO --&gt; CGC[Corporate Governance Committee]     CSO --&gt; ISC[Information Security Committee]     CSO --&gt; GMC[Green Manufacturing Committee]     CSO --&gt; EC[Environment Committee]     CSO --&gt; ITC[Innovative technologies Committee]     CSO --&gt; SCM[Supply chain management]     CSO --&gt; BPC[Business performance &amp; Customer Management Committee]     CSO --&gt; ESHC[Employee's safety and health Committee] </pre> <p>Dates of reports and items reported to the Board of Directors throughout 2022 are as follows:</p> <table border="1"> <thead> <tr> <th>Date of Meeting</th> <th>Report</th> </tr> </thead> <tbody> <tr> <td>June 16, 2022</td> <td>• Greenhouse Gas (GHG) Emissions Data Report, Corporate Sustainability Committee Report</td> </tr> <tr> <td>August 11, 2022</td> <td>• Greenhouse Gas (GHG) Emissions Data Report</td> </tr> <tr> <td>November 10, 2022</td> <td>• Greenhouse Gas (GHG) Emissions Data Report</td> </tr> </tbody> </table>	Date of Meeting	Report	June 16, 2022	• Greenhouse Gas (GHG) Emissions Data Report, Corporate Sustainability Committee Report	August 11, 2022	• Greenhouse Gas (GHG) Emissions Data Report	November 10, 2022	• Greenhouse Gas (GHG) Emissions Data Report	No discrepancy
Date of Meeting	Report											
June 16, 2022	• Greenhouse Gas (GHG) Emissions Data Report, Corporate Sustainability Committee Report											
August 11, 2022	• Greenhouse Gas (GHG) Emissions Data Report											
November 10, 2022	• Greenhouse Gas (GHG) Emissions Data Report											
II. Does the Company conduct risk assessment on environmental, social and corporate governance issues related to the Company's operation in accordance with the principle of materiality, and formulate relevant risk policies or strategies?	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								

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

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"> <li>The Company is ISO 14001-certified for its environmental management system; the certification is renewed periodically.</li> <li>The environmental protection policy featuring “commitment to green design to reduce the environmental impact of products and ensure zero use of hazardous substances” is enforced to reduce impacts on the environment and the ecology. Fulfill the corporate responsibility over environmental sustainability starting with energy-conserving green design of products. ISO 14067 product carbon footprint verification was completed for one key switch in 2022.</li> <li>About climate change, the Company sets its carbon reduction goals, with 2021 as the base year, to reduce carbon emissions by 50% in 2030. Meanwhile, the TCFD framework is applied in the creation of the climate risk identification procedure. Risks and opportunities for netcom equipment counterparts are compiled and high-ranking officers investigate the possibilities and impacts of climate risks and opportunities to jointly identify three risks and one opportunity.</li> <li>Greenhouse gas emissions are checked periodically according to ISO 14064-1 to examine the impacts facing corporate operation. Continue to reduce carbon emissions based on the inventory check findings and to effectively bring down the emission risk within Scope 1 and indirect emissions of greenhouse gases within Scope 2 as a result of electricity consumption. Maximize the scope of greenhouse gas inventory checks in the upstream, mid-stream, and downstream within Scope 3 in 2022, such as freight transport, employee commuting, and business travels.</li> <li>All waste from the Company'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. The Company continues to promote resource recycling and reuse as well as industrial waste reduction. Taking advantage of the resource recycling and reutilization channel in 2022, the resources recovery rate has climbed.</li> <li>Reinforce continuous promotion of water conservation and cherish water resources.</li> </ol>																								
Social issues	Occupational safety and health, employee recruitment and training, supply chain management	<ol style="list-style-type: none"> <li>Both the plant in Taiwan and the subsidiary Joytech completed in 2022 the “ISO 45001 Occupational health and safety management systems” verification.</li> <li>Ensure that the Company’s products meet safety requirements to ensure the safety of colleagues at production lines and users. Types of occupational disasters in 2022 are as follows: <table border="1" data-bbox="742 1765 1273 2020"> <thead> <tr> <th>Type of occupational disasters</th> <th>Fall</th> <th>Cut, incision, scrape</th> <th>Nip, drag</th> <th>Others</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Number of cases</td> <td>6</td> <td>2</td> <td>2</td> <td>2</td> <td>12</td> </tr> <tr> <td>Number of People</td> <td>6</td> <td>2</td> <td>2</td> <td>2</td> <td>12</td> </tr> <tr> <td>Ratio (%)</td> <td>50</td> <td>17</td> <td>17</td> <td>17</td> <td>100%</td> </tr> </tbody> </table> </li> </ol>	Type of occupational disasters	Fall	Cut, incision, scrape	Nip, drag	Others	Total	Number of cases	6	2	2	2	12	Number of People	6	2	2	2	12	Ratio (%)	50	17	17	17	100%
Type of occupational disasters	Fall	Cut, incision, scrape	Nip, drag	Others	Total																					
Number of cases	6	2	2	2	12																					
Number of People	6	2	2	2	12																					
Ratio (%)	50	17	17	17	100%																					

Items of Evaluation	Implementation		Summary	Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPE x Listed Companies and reasons
	Yes	No		
		Occupational safety and health, employee recruitment and training, supply chain management	<p>Ratio of injured employees to all: 0.25% (12/4810)</p> <p>Cause analysis and corrective measures. Accidents and disasters throughout this year can be divided into three categories:</p> <ol style="list-style-type: none"> <li>Falls accounted for a majority mainly because of failure to put items in the field to position and failure of colleagues to pay attention while walking, which will be improved in the future, with items put in position and away from passageways. Pay attention to the surroundings while walking and avoid any unsafe behavior.</li> <li>Next is machinery-related ones, including cuts, incisions, scrapes, nips, and drags. It is because current protection available for machinery equipment is unable to prevent against unsafe acts of colleagues. Short-term: Check the machinery equipment and evaluate risk points that may lead to injuries as a result of abnormal behavior and prioritize them for improvement. Long-term: Reinforce the safety evaluation before a new machine enters the plant and ask the staff to follow the SOP in order to minimize harm done as a result of abnormal acts.</li> <li>Other types x2: Primarily undesirable posture during transport of materials that damages the muscle. Correction: For points and stations with abnormalities, perform the ergonomic risk advanced assessment and seek improvements over the short term applying adaptive work assignment. Long-term goal: Reduce the weight lifted and the frequency of lifting and remind colleagues of a correct operating posture.</li> </ol> <ol style="list-style-type: none"> <li>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.</li> <li>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 periodically. Response drills take place on a monthly basis. Concurrent introduction of the e-evacuation and roll-call mechanism to reduce the time spent on roll-calling and improve roll-call accuracy.</li> <li>Set up the nursery and baby care center and provide employees with annual health examinations.</li> </ol>	
		Corporate Governance	<ol style="list-style-type: none"> <li>To implement internal control mechanisms to ensure that all employees and operations of the Company follow relevant laws and regulations.</li> <li>To reinforce the corporate governance policy continuously.</li> </ol>	
		Risk management	<ol style="list-style-type: none"> <li>The ISO 22301 Management System was introduced in 2022 in order to strengthen the corporate continuous operation management mechanism.</li> <li>Set recovery goals, check the resources required, define the recovery plan, and arrange drills reflective of different risk scenarios according to operational disruption risk analyses.</li> <li>First verification is expected to be completed in 2023.</li> </ol>	

Items of Evaluation	Implementation		Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	
III. Environmental Issues			
(I) Has the Company developed an appropriate environmental management system reflective of its distinctive characteristics?	V		No discrepancy
(II) Is the Company committed to improving the efficiency of utilizing various resources and using recycled materials with low impacts on the environment?	V		No discrepancy
(III) Has the Company assessed the potential risks and opportunities arising from climate change at present and in the future and taken related countermeasures?	V		No discrepancy

Items of Evaluation	Implementation		Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons									
	Yes	No										
		<p>C. Long-term (7 ~ 10 years): (Transition) Replacement of products and services with low-carbon technologies, (transition) increased costs of raw materials and regular materials, (physical) severity of increased extreme weather incidents.</p> <p>(2) Accton identifies climate-related significant financial risks and opportunities through four steps: 1. "Compile" climate-related risks and opportunities that the technology netcom sector may encounter → 2. "Narrow down" to evaluate risks and opportunities that have to do with Accton according to the type of product/service, the weather change at the operating site, the developmental trends of regulations governing operations and the distribution market, and climate change strategies of major customers → 3. "Analyze" the materiality: The high-ranking management decides the risk score on the basis of the incidence of climate-related risk and opportunity incidents and their impacts on Accton → 4. "Respond" with a strategy: Evaluate and prepare related countermeasures (including material investments or expenses).</p> <p>3. Identification, Evaluation, and Management of Climate-related Risks Accton Technology climate-related risk management process: Climate-related risk and opportunity incidents ① Incidence (1~5, low to high) and ② Impacts on Accton (1~5, low to high) ① Incidence * ② Impacts = Materiality score The materiality score ranks from high to low, with the materiality to be discussed among high-ranking managers, adjusted, and the significant risks and opportunities for Accton are decided. Accton identified transition risks that will possibly be brought about by the net zero emissions roadmap released in 2022 of Taiwan. At the regulatory level, the primary transition risk facing Accton is the disclosure of carbon inventory check findings of TWSE-TPEX-listed companies in three stages reflective of the sector where they do business and their capital size mandated by the Financial Supervisory Commission of Taiwan. Accton, with a capital size between NT\$5 billion and NT\$10 billion, belongs to the second stage and hence must disclose its greenhouse gas inventory check findings in 2025 for the preceding year. The scope of such a check includes all operating sites around the world subject to direct control of Accton.</p> <p>4. Indicators and Goals for the Evaluation and Management of Climate-related Risks and Opportunities Accton, besides greenhouse gas emissions, tracks climate change-related performance through other indicators, such as energy consumption, electricity-consuming intensity, use of tap water, waste output, and recovery rate as well. Accton values climate change management and encourages employees to take part and envisage together. There is the incentive mechanism in place to provide employees that have proposed outstanding production efficiency promotion and energy conservation solutions, once evaluated and approved, with the excellent solution reward. Based on the results of the greenhouse gas inventory check and the carbon reduction path of SBT 1.5°C of the "Scientific-Based Carbon Reduction Target", Accton adjusts the short-, medium- and long-term carbon reduction targets, and carry out reduction plans to make continuous improvements. 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>										
(IV) Does the Company calculate the amount of greenhouse gas emission, water consumption, and waste production in the past two years and implement policies to cut down energy and water consumptions, carbon and greenhouse gas emissions, and waste production?	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: Major production sites of Accton include Hsinchu Plant 1, Hsinchu Plant 2, Zhunan Plant, and Joytech. The Scope 1 and Scope 2 carbon emissions (tons of CO<sub>2</sub>e) of respective plants are as follows: The source of data in 2020 and 2021 was verified by a third party, and the greenhouse gas verification for 2022 was completed in January 2023. Scope 1 carbon emissions: Direct greenhouse gas emissions from the company's use of gasoline, diesel, air-conditioning refrigerants, gas, and septic tanks.</p> <table border="1"> <thead> <tr> <th>Plant</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Hsinchu main plant</td> <td>351</td> <td>251</td> </tr> <tr> <td>Hsinchu 2nd plant</td> <td>12</td> <td>9</td> </tr> </tbody> </table>	Plant	2021	2022	Hsinchu main plant	351	251	Hsinchu 2nd plant	12	9	No discrepancy
Plant	2021	2022										
Hsinchu main plant	351	251										
Hsinchu 2nd plant	12	9										

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

Zhunan plant	489	548
Joytech	38	30
Total	890	838

Scope 2 carbon emissions: Indirect greenhouse gas emissions from the company's use of electricity.

Plant	2021	2022
Hsinchu main plant	3,606	2,899
Hsinchu 2nd plant	327	307
Zhunan plant	7,723	11,234
Joytech	29,480	24,751
Total	41,136	39,191

Total carbon emissions from major plants:

Plant	2021	2022
Total	42,026	40,029

(2) Amount of Water Consumed:

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:

Plant	2021	2022
Hsinchu main plant	32,826	31,236
Hsinchu 2nd plant	971	936
Zhunan plant	18,185	23,255
Joytech	159,937	163,296
Total	211,919	218,723

(3) Waste:

Waste output (metric ton) and recycling rate (%) of the main production sites are as follows:

Total waste output (metric ton)

Plant	2021	2022
Hsinchu main plant	220	93
Hsinchu 2nd plant	80	66
Zhunan plant	800	1,449
Joytech	441	543
Total	1,541	2,151

Total resource recycling and reuse volume (metric ton)

Plant	2021	2022
Hsinchu main plant	165	64
Hsinchu 2nd plant	70	55
Zhunan plant	773	1,293
Joytech	181	192
Total	1,189	1,604

Recycling/Reutilization Ratio (%)

Plant	2021	2022
Hsinchu main plant	75	69
Hsinchu 2nd plant	87	84
Zhunan plant	97	89
Joytech	41	35
Total	77	75

2. The policies, reduction goal, promotion measures and achievement status of greenhouse gases, water consumption and waste are as follows.

(1) Greenhouse gas:

The greenhouse gas policy is stated in the greenhouse gas inventory report:

As a member of the global village, in order to fulfill the corporate responsibility for environmental protection, the Company will strive to complete the following:

- 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.

Greenhouse Gas Reduction goal:

According to the characteristics of Accton's manufacturing process, electricity

Items of Evaluation	Implementation		Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	
		<p>consumption accounts for more than 90% of greenhouse gas emissions. Set energy conservation and carbon reduction goals, with 2021 as the base year, a reduction of 50% by 2030 and net zero by 2050.</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>Executive measures are as follows:</p> <ol style="list-style-type: none"> <li>a. Fully utilize electronic signing and approving procedures to reduce paper usage.</li> <li>b. Strictly manage the demands for power, as well as the lighting and air conditioning in unused areas.</li> <li>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.</li> <li>d. Install frequency converter and set timing control in the ventilation system of the basement.</li> <li>e. Increase the air-conditioning temperature and duration of use in offices and public areas.</li> <li>f. Replace the air conditioning equipment with high energy consumption in different areas to increase energy efficiency and reduce loss.</li> <li>g. Replace old power systems and cables to reduce energy consumption.</li> <li>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.</li> </ol> <p>Greenhouse gas emissions status:</p> <p>The total greenhouse gas emissions at primary production sites dropped by 4.75% in 2022 from 2021. It was primarily attributed to the optimized production line configuration at Joytech and control over energy conservation of public equipment.</p> <p>(2) Amount of Water Consumed:</p> <p>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.</p> <p>Water use policy:</p> <p>Reinforce continuous promotion of water conservation and cherish water resources.</p> <p>Water saving measures are as follows:</p> <ol style="list-style-type: none"> <li>a. For people's livelihood water, the Company continues to replace old faucet with the water-saving induction faucet to reduce water consumption.</li> <li>b. Through the continuous promotion of various energy conservation management programs and advocacy, it is expected that energy may be saved more effectively.</li> </ol> <p>Achievement of water saving measures:</p> <p>The total amount of water consumed at primary production sites rose by 3% in 2022 from 2021 primarily because of the increased throughput and the increased air-conditioning water consumption.</p> <p>(3) Waste:</p> <p>Accton's waste policy is disclosed in the environmental safety and health policy:</p> <p>Accton undertakes to continuously promote resource recycling and reuse as well as industrial waste reduction.</p> <p>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>Status of waste recycling and reuse:</p> <p>The recycling and reutilization ratio of waste at primary production sites dropped by 3% in 2022 from 2021 primarily because of the greening and tidying of Joytech premises where tree branches were cleared and dormitory</p>	

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

beddings were updated, which were all non-recyclable items.

3. According to the laws and regulations, greenhouse gas inventory checks are 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 February 2022, the ISO 14064-1 verification was completed to comply with the regulations.

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 ISO 14001 certificate is valid from July 11, 2020 to July 10, 2025).

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>	No discrepancy
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Items	Course type	Advocating content	Echel on	Atten dees	Remark
Group New Employee Training	Physical session	Promote the Company's labor protection awareness, management guidelines and related norms	125	722	New employee training
Global supply chain manager training	Physical session	Promote Accton's labor protection awareness, management guidelines and related norms	19	420	RBA agent/contractor training and supplier conference
Group staff care	Physical /Online courses	Value work and life. By sharing topics in different aspects, help colleagues improve the quality of their own life, care for the elderly, and relieve pressure, realizing a balance between employees' life and work.	36	2,134	Accton Mind Comfort, Accton Plants a Seed, Accton Heart-warming Care, Accton TALK

Items of Evaluation	Implementation		Summary	Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
(II) Has the Company established and offered proper employee benefits (including compensation, leave, and other benefits) and reflected the business performance or results in employee remuneration appropriately?	V		<p>Accton believes that outstanding talent is crucial to corporate sustainable management. We are devoted to providing employees with an outstanding workplace. Taking care of both external competition and internal balance, operational performance results are considered in the design of the compensation system and salaries and benefits superior to those offered by counterparts are provided in order to attract and retain outstanding talent. Recruitment, appointment and development of employees are all based on the work ability of employees. According to gender analysis, male employees account for 48% of the number of regular employees, and female employees account for 52% of the number of regular employees. The percentage of female is relatively higher than that of males. Female manager accounted for 26.4% in 2020, 27.7% in 2021, and female managers accounted for 24.8% in 2022 and the ratio over the three years was 26.3% on average.</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 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 leave system is superior to the 2-day flexible leave per quarter that is available under law. 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, prevention against occupational hazards with assistance from occupational medicine specialists and professional nurses, periodic health exams, and various benefits such as workshops on health, arts, and culture to help manage the health of colleagues. The Employee Welfare Committee offers 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, employee pressure relief, workshops on daily life issues, and activities for art and hobbies.</p>	No discrepancy
(III) Does the Company provide a safe and healthy working environment for employees, and offer safety and health education for employees regularly?	V		<ol style="list-style-type: none"> <li>1. The company actively create the healthy and safe working environment, set up the dedicated safety and health management personnel. In addition to formulating safety and health work code, he also takes the initiative to carry out occupational safety and health risk evaluation and control, so as to grasp the impact of each change on safety and health.</li> <li>2. Conduct annual internal audit and third party verification of ISO 45001 occupational safety and health management system to review system operation and continuous improvement.</li> <li>3. Organized safety and health education and chemical hazard general courses for new and active workers every year. A total of 2,457 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 4,158 colleagues participated in the training in 2022.</li> </ol>	No discrepancy

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

4. Regularly arranged colleagues to other places to receive professional training and certificates, such as occupational safety and health management, fire response, radiation protection, fire prevention management, organic solvent operation, stacker operation and environmental waste disposal and other related courses. A total of 107 colleagues obtained certificates in 2022.
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.
6. Health workshops, among others, were held in response to the Safety and Health Guide for mid-to-old-aged and old-aged workers of the Occupational Safety and Health Administration in 2022. Dynamic and stationary activities were designed focusing on the possible physiological and mental changes as one ages and fitness programs were held through collaboration with fitness classrooms targeting specifically the elderly where specialists were invited to share new health knowledge. The courses turned online because of the pandemic to reduce the risk of cross-contamination and make it more convenient for colleagues to attend, with increased privacy. Please refer to the table below. In addition, reflective of the MOHW statistics, test items were added to the annual health exam for disorders that are common among mid-to-old-aged people and subsidies were provided for cancer screening.

Name	Description	Number of participants	Satisfaction (%)
Online fitness program	Keep Moving to Level up	43	86.9
Health workshop	My dish	35	91.2
	Bright eyes	33	
	To keep off the redundant, you must move.	24	

Items of Evaluation	Implementation		Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons														
	Yes	No															
(IV) Has the Company established effective career development and training plans for its employees?	V	<p>The Company values talent development and training. Besides project-based learning, the Company centrally arranges training courses for its staff that cover six major categories, namely 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 optimizes and upgrades the "Online Learning Management System (LMS)" to provide a faster, more convenient, and enriched learning platform for its staff. Accton attaches great importance to the orientation training of frontline staff 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 2022, the company conducted 48,916 hours of education and training on related topics.</p> <table border="1"> <thead> <tr> <th>Learning areas</th> <th>Summary</th> </tr> </thead> <tbody> <tr> <td>Orientation training</td> <td>The courses include company introduction, corporate culture, rules and regulations, corporate social responsibility, honest management, anti-corruption, quality systems, etc., to help newcomers understand the company and adapt to the environment.</td> </tr> <tr> <td>Work efficiency</td> <td>Including business presentation design, communication, information security, word processing, internal trainer training to improve the performance of colleagues.</td> </tr> <tr> <td>Professional knowledge and skills</td> <td>Domain Know-How, Advanced Manufacturing Process, Systematic Professional Knowledge, etc.</td> </tr> <tr> <td>Quality management</td> <td>Includes common quality courses, such as ESD, problem analysis and solution and project-based ISO courses to ensure compliance with procedures, improve product yield, and meet customer requirements.</td> </tr> <tr> <td>Environmental safety and occupational health</td> <td>According to the requirements of laws and regulations, we carry out pre-job safety and health training and hazard general education training for new employees, and provide different training courses for employees in general and special work.</td> </tr> <tr> <td>Leadership and management</td> <td>According to the roles and responsibilities of supervisors, plan the training courses required for supervisors, corresponding to the management skills required at all levels. The courses are divided into rules and regulations, self-management, team management and career management.</td> </tr> </tbody> </table>	Learning areas	Summary	Orientation training	The courses include company introduction, corporate culture, rules and regulations, corporate social responsibility, honest management, anti-corruption, quality systems, etc., to help newcomers understand the company and adapt to the environment.	Work efficiency	Including business presentation design, communication, information security, word processing, internal trainer training to improve the performance of colleagues.	Professional knowledge and skills	Domain Know-How, Advanced Manufacturing Process, Systematic Professional Knowledge, etc.	Quality management	Includes common quality courses, such as ESD, problem analysis and solution and project-based ISO courses to ensure compliance with procedures, improve product yield, and meet customer requirements.	Environmental safety and occupational health	According to the requirements of laws and regulations, we carry out pre-job safety and health training and hazard general education training for new employees, and provide different training courses for employees in general and special work.	Leadership and management	According to the roles and responsibilities of supervisors, plan the training courses required for supervisors, corresponding to the management skills required at all levels. The courses are divided into rules and regulations, self-management, team management and career management.	No discrepancy
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(V) Has the Company 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 consumer protection policies and grievance procedures?	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 satisfied before closing the case.</p>	No discrepancy														
(VI) Has the Company established the supplier management policies requesting suppliers to comply with laws and regulations related to environmental protection, occupational safety and health or labor rights and supervised their compliance?	V	<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 a 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><b>The Company's supply chain management strategy:</b></p> <ol style="list-style-type: none"> <li>1. Improve cost leadership capability, integrate group resources, and obtain the most competitive supply chain value through strategic cooperation.</li> <li>2. Establish sustainable supply chain capabilities, drive suppliers to improve their</li> </ol>	No discrepancy														

Items of Evaluation	Implementation		Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	
		<p>performance in economic, social and environmental aspects, and promote sustainable development of suppliers.</p> <ol style="list-style-type: none"> <li>Strengthen the supply chain capability, and continue to guide suppliers in their diversified supply and localized supply capabilities.</li> <li>Build up a green supply chain and encourage suppliers to take measures for energy saving and carbon reduction towards circular economy.</li> <li>Emphasize environmental friendliness and proactively implement green procurement, pursuing economic benefits while being friendly to the environment.</li> <li>No compromise on conflict minerals to ensure that products and supply chains are free of conflict minerals.</li> <li>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.</li> <li>Closely monitor environmental issues and being committed to reducing the impact of environmental pollution by enhancing the recycling of waste resources.</li> </ol> <p><b>Accton's commitment</b></p> <ol style="list-style-type: none"> <li>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, environmental and social responsibilities within the enterprise to pursue the benefit of stakeholders such as customers, employees, suppliers, and communities.</li> <li>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.</li> <li>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.</li> <li>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.</li> <li>The Company spontaneously requires that an investigation be performed on suppliers of gold (Au), tantalum (Ta), tin (Sn), tungsten (W), cobalt (Co), mica (mica), and other metals and they must sign a consent form or provide a declaration form to ban conflict minerals from restricted countries in order to prevent against purchases from the Democratic Republic of the Congo (DRC) and its surrounding countries and regions where conflict minerals are collected by force or with infringement upon human rights. 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.</li> <li>Respect, protect intellectual property rights, and conduct fair trade, advertising and competition.</li> <li>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.</li> </ol> <p>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 (RoHS, REACH, TSCA, Sweden Tax Deduction, etc.) In 2022, 254 manufacturers responded to the reports on hazardous substances, with a total of 340 BOMs. All materials fulfilled international standards and customer requirements. Regulatory changes and updates will be monitored at all times, with related measures adopted in response.</p> <p>In addition, the Company conducts due diligence on priority minerals in the supply chain in accordance with 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 confirm that related raw materials of the supply chain are from RMI qualified refining facilities included in the list so as to avoid direct or indirect sponsorship of mining areas of armed conflict groups or involving infringement upon</p>	

Items of Evaluation	Implementation		Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	
		<p>human rights. In 2022, the risk identification and assessment on the management of conflict minerals and due diligence were completed for 237 current suppliers, with 100% response rate of CMRT/EMRT; 100% of the suppliers did not use conflict minerals. The suppliers of materials used by the Company are all in compliance with the policy of "No Conflict Minerals".</p> <p>The main production sites were successfully approved upon periodic verification for IECQ QC 080000: 2017 Hazardous substance process management system in December 2022.</p>	
V. Does the Company 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 2021 Corporate Sustainability Report was awarded the Class 1 moderate assurance certificate of AA1000 Asv3 in June 2022. For the SGS verification declaration, refer to Pages 233 to 237 of the 2021 Report. <a href="https://www.accton.com.tw/wp-content/uploads/2022/06/AcctonCSR2021.pdf">https://www.accton.com.tw/wp-content/uploads/2022/06/AcctonCSR2021.pdf</a></p>	No discrepancy
VI. If the Company 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:		<p>The Company 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. It was reported to the Board of Directors in June, August, and November, 2022, respectively that the operation and implementation were no different from those specified in these principles.</p>	
VII. Other important information that facilitates the understanding of the implementation of sustainable development:		<p>"Taiwan Public Welfare Service Association" and "Accton Culture and Education Foundation" are the two major public welfare units of Accton; they jointly support the establishment of the "Accton E-Charity" website (<a href="http://www.17885.com.tw">www.17885.com.tw</a>), 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 loving participation of the public, the society can have a new glimpse of the realm of truth, goodness and beauty, and then form a circle of goodness.</p> <p><b>Accton E-Charity</b> Assisting all public welfare organizations in Taiwan As of the end of 2022, Accton E-Charity has a total of 378 public welfare group members, and over 120,000 donors. 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\$27.78 million in 2022, and the amount accumulated over the years has exceeded NT\$400 million.</p> <p><b>Taiwan Public Welfare Service Association</b> Taiwan Public Welfare Service Association always adheres to the belief of "going where there is a need". Through actual visits and demand confirmation, the Association hopes to make up for the insufficient resources of disadvantaged families, social welfare groups and rural schools in the shortest time. In 2022, the Taiwan Public Welfare Service Association donated NT\$ 6.7 million in total for emergency relief of vulnerable families and assistance in public welfare projects.</p> <p><b>Emergency Relief for Disadvantaged Families</b> In 2022, Accton E-Charity (<a href="http://www.17885.com.tw">www.17885.com.tw</a>) helped 217 families in need with a total amount of NT\$2,106,200. Accton E-Charity 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 or relatives or yourself are in need of help, you may seek help through the platform. Since its establishment, it has gathered the power of love from the public, and helped more than 2,900 families through the valley of life, so that they can see hope when facing the future, and have the opportunity to regain a bright smile on the way to the future! For disadvantaged families in the society, Accton E-Charity mainly provides the following assistance:</p> <p>(I) Living allowance: family in distress because the main economical supporter of the family suffers from an emergency disaster, serious illness or major natural disasters</p> <p>(II) Medical allowance: For persons suffering from serious injuries or illnesses, but the medical expenses required are not affordable by themselves or their legal guardians, and the additional medical expenses are not covered by the national health insurance or labor insurance.</p> <p>(III) Funeral allowance: For disadvantaged families which suffer from misfortune and are unable to afford funeral expenses.</p> <p>(IV) Emergent disaster: For families suffering from major natural or man-made disasters that cause significant damage to the family and affect people's life in a short period of time.</p> <p><b>Assistance in Public Welfare Projects</b> (I) Care for the physically and mentally disadvantaged</p>	

Items of Evaluation	Implementation		Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	
			<p>1. In order to make the physically and mentally disadvantaged feel the atmosphere of the workplace, the Taiwan Public Welfare Service Association and the Sisters of Our Lady of China Catholic Charity Social Welfare Foundation jointly organized the project "Let the Self-reliant Seedlings Sprout - Build A Hydroponics Farm for the Physically Challenged Youth". Through hydroponics and the assistance of local young farmers of Puzi in Chiayi, they led the physically challenged youth to learn to go through different training stages and let them go out of the closed family life to learn to interact with the crowd and adapt to the changes in the environment.</p> <p>2. In order to enable mentally disadvantaged youth to increase their opportunities for expression through the freedom of artistic creation in both verbal and nonverbal ways, Taiwan Public Welfare Service Association and Luway Opportunity Center jointly organized the "Luway Story X Art Fusion Program for Mentally Challenged Youth", so that mentally challenged youth can have different exchanges with others through the form of art performances, enhance their understanding of the cultural field, and enhance their opportunities for social participation and integration.</p> <p>3. In 2022, the Taiwan Public Welfare Service Association continued its cooperation with the Chinese Taipei Special Olympics in the "Appointment with Angels and Connection with International Standards" program to carry out inclusive education on 20 campuses in Hsinchu Chiayi and Keelung, in order to enhance the multiple concerns of people with intellectual disabilities in their career development, and have them respected and accepted by the public, so as to promote equality and social participation in a diverse society.</p> <p>(II) Education for children in rural areas</p> <p>1. In 2022, we cooperated with Reach Out and Read Taiwan to train medical staff and volunteers to support medical institutions in the promotion of parent-child co-reading, and sent 1,000 children's books to 26 medical institutions and kindergartens. The medical staff and volunteers of the cooperative unit take advantage of the opportunity that the medical institutions and kindergartens can reach most families to promote parent-child co-reading. In addition to the early detection of delayed development of children in rural areas for early detection and early treatment, parent-child co-reading can reduce the ratio of delayed development of children in rural areas.</p> <p>2. Through the cooperation of the Social Participation Center of National Dong Hwa University, more reading resources are introduced into rural kindergartens, and the soft and hard facilities for the promotion of reading education in kindergartens are improved.</p> <p>3. We supported the "Long-term Campus Companion Program" of the Education Support for Taiwan to enter the campus and accompany the school to solve problems. While consolidating the centripetal force for the school, it can improve the teaching of teachers, so that children can experience better teaching quality.</p> <p>4. We supported the Pingtung County Home of Hope Association's "School Children from Disadvantaged Families in Rural Areas - After-school Care Services" project, provide children from disadvantaged families with free after-school care, character education, talent courses and family care, and led the children to communities or churches for music and talent performances to enhance their confidence and performance opportunities.</p> <p>(III) Care for disadvantaged groups</p> <p>1. At the end of 2022, Taiwan Public Welfare Service Association continued assisting disadvantaged groups by providing material resources, including the donation of living materials to Xuhai Primary School and Hualian Jiao'er Love Association, and assisted in the cost of food for the elderly canteens such as Jiayi Xing Village Elderly Canteen and Peiyuan canteen.</p> <p>2. In 2022, the Keliao School in Kouhu Township of Yunlin suffered a fire, and the school buildings were destroyed. In order to assist in the reconstruction of the school, the Taiwan Public Welfare Service Association provided assistance with relevant hardware equipment, including second-hand computers, projectors, printers, microphones and other teaching equipment, so that the school can feel the warmth of the society during the hard process of reconstruction.</p> <p>(IV) Independent living of the elderly</p> <p>The Taiwan Public Welfare Service Association cooperated with the Health Bureau of the Chiayi Municipal Government to consolidate the multi-faceted resources of local performing arts groups, social enterprises and psychological counselors to jointly conducted a series of lectures and practical workshops across the fields, and conducted a series of training and practice of program planning. After more than half a year's planning, they finally completed the Podcast channel and program recording of "Fashionable Elders on Air" (Podcast channel: <a href="https://reurl.cc/58AbYG">https://reurl.cc/58AbYG</a>), to enable the elders to create their own wonderful post-youth life experience together.</p> <p>(V) Caring for the elderly</p> <p>1. In long-term care services, the economic situation of rural families is mostly very difficult, and their ability to pay for care-related expenses is poor. In 2022, the Taiwan Public Welfare Service Association supported the Quixotic Implement Foundation to provide professional, safe, dignified home shower car service for the long-term bedridden and disabled. In addition to improving the psychological status of the disabled and improving the quality of daily life, it may relieve the pressure on caregivers and give them support.</p> <p>2. In order to meet the long-term care needs of the elderly society, implement the community care function, assist the disabled elderly who need assistance in their daily life function, and provide the care service for the elderly who are orphaned and poor, the Taiwan Public Welfare Service Association assisted Beunen Foundation's "St. Francis' Home" to help 120 community elders in Toucheng Township on regular care, visit and provide home services, in order for them to obtain healthy and nutritious meals, and improve the quality of life at home to slow down physical and mental degradation.</p> <p>(VI) Youth care</p> <p>1. In order to enable the public to have a comprehensive understanding and discussion of youth care, and feel that youth care institutions are an important part of Taiwan's social safety net but have long faced the challenges of high staff turnover and social stereotypes, Accton E-Charity cooperates with the life counselors of "Chen Chou Youth Home" to hold six thematic lectures of the "Seeing the Topic and Being Gentle" series: "Youth care - Hold a space for children", to let the front-line young workers of youth resettlement institutions share their work experience and structural limitations in the resettlement institutions from the perspective of the life experience of the young workers who embrace the concept and invest in the resettlement institutions, hoping to make the public more sympathetic with the situation of the front-line care workers and the resettlement institutions, and make more gentle changes.</p> <p>2. Rehabilitated juveniles are also the ethnic group concerned by Taiwan Public Welfare Service Association. In 2022, we supported Bornanew Youth Caring Association with the "Fundraising Plan for Youth Vocational Training Base" to help teenagers not only learn professional catering skills in the relay workplace, but also learn how to identify their emotions, learn how to interact with colleagues, and explore career planning. Through improvement, we make the warm relay workplace safer and more secure, and accompany the youth out of the most chaotic time of life.</p>

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

(VII) Human rights integration

The Taiwan Public Service Association has supported Dr. Chen Wen-cheng Memorial Foundation in the human rights dinner for four consecutive years. In addition to assisting the political victims to feel the warmth of society during the Lunar New Year, this dinner also serves as a bridge among people to warm each other's hearts. Also, the public can better understand the issues related to human rights through a series of introductory lectures held.

**Accton Culture and Education Foundation**

Accton Cultural and Education Foundation has long been committed to improving the education of rural and disadvantaged children, hoping to use the power of the enterprise to narrow the gap for rural and disadvantaged children, and provide disadvantaged children in rural areas with a secure learning environment through long-term investment and support, so that they can have the opportunity to change their future through education. The total donation amount of Accton Culture and Education Foundation in 2022 is NT\$1,959,600.

(I) Diversified and integrated campus

In order to implement the equal rights of menstruation on campus and let more students share the needs of different physiological genders, Accton Culture and Education Foundation cooperated in 2022 with the Little Red Hood Association, which has been committed to menstruation education for a long time, to assist a total of 37 elementary schools in Hsinchu in holding seminars and training 65 teachers, and cooperated with 10 elementary schools to hold menstruation education courses. Accton Culture and Education Foundation expects students to know more about themselves through understanding menstruation, and also increase the number of teachers at the front line; this will not only make menstruation education no longer a disappearing course on campus, but also enable the campus to turn to a more inclusive culture.

(II) Sports fund support

The archery team of Zaixi Elementary School in Hsinchu had a poor archery training site, and the training expenses of the contestants were seriously insufficient. In 2022, Accton Culture and Education Foundation supported the archery team of Zaixi Elementary School by improving the archery equipment and environment, and launched fundraising among the Company's employees to support the archery team's funding, and even went to the competition to cheer up the contestants. In addition to allowing the contestants to participate in training and competition without any worries, we hope that these young players will be able to stand in the highest palace of sports and win glory for the country in the future.

(III) Caring breakfast for children

In Hsinchu, at least thousands of children are on the verge of poverty because they are from families of low and middle income which cannot obtain the subsidies granted by government. Accton has, since 2014, consolidated the power of all employees of the Group and sponsored the caring breakfast for a year for more than 1,500 disadvantaged elementary school children in Hsinchu. In 2022, we sponsored the caring breakfast for 130 children in 18 elementary schools, totaling NT\$648,000. We believe that giving children a nutritious breakfast can improve their learning concentration and give them a chance to turn the future around!

(IV) Hope project of education

Accton Culture and Education Foundation upholds the idea of "changing the poverty cycle of aborigine families through education", and jointly launched the "Accton's Hope Project of Education" with Hsinchu Family Support Center to provide school expenses for secondary school students in Wufeng and Jianshi. In 2022, a total of NT\$319,800 was donated to assist 200 children. Accton's Hope Project is not aimed at students with excellent academic performance, but encourages disadvantaged students striving for improvement to overcome adverse economic conditions and go to school with peace of mind. Through education, the vicious cycle of poverty can be reversed.

(V) After-school classes for disadvantaged children

In the tutorial class for disadvantaged children set up by the Haikou People's Community Management Association in Pingdong County, most of the children suffer from poor family functions due to factors such as single parenting, intergenerational upbringing, and foreign mating. In the tutorial class, teachers guide the children in their homework, and also give guidance when the children's behavior deviates, so as to avoid the children from going astray after school because no one takes care of them. Accton gathered the power of employees in the Group for the long-term sponsorship of meals for the tutorial class. In 2022, the donation totaled NT\$196,800.

**Accton Arts Foundation**

To promote the awareness of art diversity 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 art and cultural community, and building a cultural and creative arts community. A dedicated website Arttime is established to serve as an online communication platform to provide information on arts and cultural events, and introduce contemporary Taiwanese artists to the general public.

Accton Arts Foundation is also committed to maintaining the historical sites and buildings in the community, such as the historical Hsinchu Railway Art Village, to preserve the characteristics and cultural value of the old buildings. Through art residency, art volunteers, aesthetic education and other activities, we instill the new concept of health to help 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 families and children to play, have fun, share and grow together.

(1) Promoting culture and art education: We act as a "facilitator" and use art as a medium to create an environment for understanding and discussing multiple issues.

1. Whole-person education: A series of six classes of [Accton X National Palace Museum Art Teaching Plan Development Project - When the Cultural Relics of National Palace Museum Encounter Reward Thinking].
2. Healthy music age: We support the [Big hand Holding Small Hand Promotion Workshop] of [Chengwu Production Team].
3. International politics: We cooperated with [Black Dog Opera Troupe] on [Other Than Tears: Faces in the War Between Ukraine and Russia] participatory theater workshop.
4. Equality and integration: We cooperated with [Taiwan Arts and Culture Space Connection TASA] on the [Non-visual Sensory Workshop].

(2) Establishing artist talent database: We cultivated talents in each link of the arts and culture ecosystem from the perspective of sustainable operation.

Items of Evaluation	Implementation		Summary	Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No		
<p>1. Artist support plan: We cultivated 8 artists, assisted in holding 8 solo exhibitions, and participated in the Hsinchu Art Expo (with the award-winning projects of 2022 MIT New Artist Award, Nanying Award, New Taipei City Art Exhibition, and Giga Hertz Production Award of the ZKM Media Art Center in Germany).</p> <p>2. Cultivation plan of art administration: We cultivated 3 full-time art administrators, 2 part-time partners and 4 interns (interns are from the Department of Economics of National Tsing Hua University, the Department of Cultural Resources of National Yunlin University of Science and Technology, the Department of Cultural Innovation of the National Taichung University of Education and the American School of Hsinchu County).</p> <p>3. Hsinchu Local Culture Museum Volunteer Training Program: 9 classes [focusing on visiting experience and creation]</p> <p>(III) Promoting the overall construction of arts and culture communities: We expanded the promotion of equal friendly rights and cultural access concepts in Hsinchu through the physical space cooperation between the public and private sectors. We cooperated with the public sector, accepted the commissioned labor operation of Hsinchu Railway Art Village, and conducted guided tours, exhibitions, and exchange and cooperation with local elementary and secondary schools, colleges and universities, and community universities.</p> <p>(IV) Construction of cultural and creative arts community: From digitalization to digital optimization, we are in line with the interactive way of the times.</p> <p>1. Operating Arttime, AAF and Artsite.info.</p> <p>2. Participating in the "2022 Annual Meeting of the Taiwan Art Association - Reloaded" of the Taiwan Arts and Culture Space.</p>				
<p>VIII. Climate-related Information and Implementation Status: N/A.</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	
I. Establishment of Ethical Corporate Management Policy and Proposal			
(I) Has the Company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the Board of Directors and senior management to rigorous and thorough implementation of such policies?	V	Accton formulated "Ethical Corporate Management Best Practice Principles" approved by the Board of Directors and disclosed it on the Market Observation Post System. The Board of Directors and the management implemented the commitment about ethical corporate management policy actively, and ethical corporate management policy was indeed implemented in internal management. The rules of procedures of Accton's Board of Directors are aimed to establish a good governance system, improve supervision functions and strengthen management functions.	No discrepancy
(II) Has the Company established a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	V	It is stipulated in Accton's Ethical Corporate Management Best Practice Principles that bribery, provision of illegal political contributions, improper charitable donations or sponsorship, provision or acceptance of unreasonable gifts, hospitality or other improper interests, infringes on business secrets, trademark rights, patent rights, copyrights and other intellectual property rights, engagement in unfair competition, and unethical acts where products and service will directly or indirectly damage the interests, health 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.	No discrepancy
(III) Has the Company specified in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implemented them and review the prevention programs on a regular basis?	V	Accton specifies clear provisions in the "Code for Ethical Conduct of Employees" and the "Ethical Corporate Management Best Practice Principles", which are implemented and published on Accton's internal website for employees to check at any time, and also advocates core value and compliance with systems by staff through education and other diversified method, and requires staff to assume the important responsibility to maintain high ethical standards, company reputation and compliance. In addition, Accton provides a variety of systems for reporting unethical management. Accton always strictly handles any violation of ethics confirmed, and takes severe disciplinary measures against violators, such as termination of employment and taking appropriate legal action.	No discrepancy
II. Consolidation of Ethical Corporate Management			
(I) Does the Company 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 the Company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation and supervision of the ethical corporate management policies and prevention programs against unethical conduct?	V	Accton has formulated "Ethical Corporate Management Best Practice Principles", and established the "Corporate Governance and Ethical Management Committee" to be responsible for promoting ethical management. Accton arranges training for new and existing employees regularly to remind them of important matters during the course of business. Employees can also 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 2022, 0 cases were reported, and no major dishonesty occurred.	No discrepancy
(III) Has the Company formulated policies to prevent conflicts of interest and provide appropriate communication channels, and implement such policy properly?	V	Accton specifies clear terms and penalty provisions in the "Code of Conduct for Staff" and the "Ethical Corporate Management Best Practice Principles"; in addition, it provides channels for employees to appeal and make response, so as to implement and promote the Code.	No discrepancy

Items of Evaluation	Implementation		Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons																														
	Yes	No																															
(IV) Has the Company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of the assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit?	V	In order to implement ethical corporate management, Accton has established an effective accounting system and internal control system. The internal auditors have listed high-risk operations as the top priority for auditing of the annual audit plan based on risk assessment to strengthen the preventive measures. The implementation of the audit plan shall be reported to the Board of Directors. In addition, the CPAs will review the implementation of Accton's internal control system every year. According to the results of the internal audit and through the appointment of CPAs, no major violations of ethical corporate management is identified.	No discrepancy																														
(V) Does the Company hold internal and external educational trainings on ethical management regularly?	V	The Company has established "Code of Ethical Business Practice", which is not only disclosed on the company website, but also advocated on the internal website and provided training for new employees when they enter the workplace. In 2022, 265 sessions were held for ethical business management and prevention of insider trading, with 2,155 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.	No discrepancy																														
		<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>131</td> <td>929</td> </tr> <tr> <td>Group New Employee Power Camp</td> <td>Physical session</td> <td>Corporate ethics and related codes of conduct.</td> <td>6</td> <td>207</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>288</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>125</td> <td>722</td> </tr> <tr> <td>Group senior manager training</td> <td>Physical session</td> <td>The code of conduct in corporate integrity and business ethics.</td> <td>2</td> <td>9</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.	131	929	Group New Employee Power Camp	Physical session	Corporate ethics and related codes of conduct.	6	207	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	288	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.	125	722	Group senior manager training	Physical session	The code of conduct in corporate integrity and business ethics.	2	9	
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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	
III. Whistle-blowing System			
(I) Has the Company established a specific whistleblowing and rewarding system, and establish convenient whistleblowing channels, and appoint appropriate special person to handle the affairs of the reported person?	V	The company has set up a special area for interested parties on the company website ( <a href="https://www.accton.com.tw/interested/">https://www.accton.com.tw/interested/</a> ). If the rights and interests of shareholders, customers, suppliers and other interested parties are infringed, it can complain to the company. In addition, it has internal and external appeal management, so that when employees suffer from improper, illegal or unreasonable events, they can appeal according to the appeal system. 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 2022.	No discrepancy
(II) Has the Company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms?	V	The Company clearly defines whistleblowing and investigation criteria and the confidentiality mechanism according to the "Employee Discipline Guidelines" and "Ethical Corporate Governance Best Practice Principles". 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 2022.	No discrepancy
(III) Does the Company take measures to protect the reporter from such improper disciplinary action as arising from whistleblowing?	V	According to whistleblowing rules, Accton will keep reporters in confidential and protect them from such disciplinary action as resulting from whistleblowing. For employees who report violation of ethical norms or fraud and participate in the investigation process, the company will keep it in confidential strictly and protect the employees from unfair retaliation or treatment. Please refer to "Procedures for Management of the Ethical Conduct of Employees" for details.	No discrepancy
IV. Enhancing Disclosure of Information			
Does the Company disclose its ethical corporate management policies and implementation results on its website and the 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 the Company formulated its own Ethical Corporate Management Best Practice Principles in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe its implementation and difference between them:			
		Accton has formulated "Ethical Corporate Management Best Practice Principles", and all employees, managers and members of the Board of Directors must observe the Principles and follow its implementation. The third amendment of the Principles was resolved at the Board meeting on March 19, 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 the Company's Ethical Corporate Management Best Practice Principles):			
		<ol style="list-style-type: none"> <li>The Company 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.</li> <li>The provisions about recusal from voting due to conflict of interests are specified in the Company's "Rules of Procedure for Board of Directors' Meetings" that the director or the corporation he/she represents holding a stake in the proposal discussed at the meeting of Board of Directors and thus likely to harm the interest of the Company may state opinions and answer questions but cannot take part in the discussion and voting sessions, where he/she shall be excused and may not exercise the voting right on behalf of another director.</li> <li>According to the "Procedure for Preventing Against 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 265 echelons of ethics training for employees were held in 2022 (please refer to the description of the form on Page 57 for the course content), and 2,155 attendees were trained.</li> <li>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 the Company's internal control system.</li> </ol>	

(VII) If the Company has formulated corporate governance rules and related regulations, it shall disclose how such regulations may be searched for:

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 of 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 9, 2023

Based on the results of our self-evaluation of our internal control system for 2022, we hereby declare as follows:

- I. The Company acknowledges that it is the responsibility of its Board of Directors and managers to establish, implement and maintain internal control system, and the Company 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. The Company 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 "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "Regulations"). 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. The Company 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, 2022 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 the Company'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 9, 2023. None of the seven directors present expressed opposing opinions. All approved the contents of this statement and it is hereby declared as such.

Accton Technology Corporation

Chairman: Kuan Xin Investment Co., Ltd

Representative : Lin, Meen-Ron

President: Edgar Masri


### (2) Review of 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. Important resolutions reached in the shareholders' meeting

The Company held the 2022 General Shareholders' Meeting on June 16, 2022. Matters approved by attending shareholders and implementation in the meeting are as follows:

Important Resolution Summary	Implementation
• Ratification of 2021 Business Report and Financial Statements.	The case was approved by attending shareholders as is. They were enforced as decided.
• Ratification of Earnings Distribution Statement of 2021.	The case was approved by attending shareholders as is. They were enforced as decided. Ex-dividend base date: August 10, 2022 Cash dividend payment date: August 31, 2022 NT\$ 5.9987 was distributed as cash dividends per share.
• Discussion of the amendment to the Company's "Articles of Association".	The case was approved by attending shareholders as is. They are announced on the Company's website and the post-amendment version has been followed.
• Discussion of the amendment to the Company's "Rules of Procedure for Shareholders' Meetings."	The case was approved by attending shareholders as is. They are announced on the Company's website and the post-amendment version has been followed.
• Discussion of the amendment to the Company's "Procedure for the Acquisition or Disposal of Assets".	The case was approved by attending shareholders as is. They are announced on the Company's website and the post-amendment version has been followed.
• Discussion of the Company's plan to issue new shares with restricted employees' rights.	The case was approved by attending shareholders as is. They were enforced as decided.

II. Important decisions of the Board of Directors

Date	Meeting of Board of Directors	Important Resolution
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	6th Meeting of the Board of Directors of the 12th Intake	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.
2022.05.12	7th Meeting of the Board of Directors of the 12th Intake	Passed the resolution on the base date for the issuance of new shares to be subscribed by employees by warrants in the 1st quarter of 2022. Passed the amendments of the "Articles of Association." Passed the resolution on the application for comprehensive credit line granted by the transacting banks was passed.
2022.06.16	8th Meeting of the Board of Directors of the 12th Intake	Passed the determination of the cash dividend payment reference date. Passed the investment to set up a plant in Vietnam. Passed the resolution on the application for comprehensive credit line granted by the transacting banks was passed. Passed the personnel change case.
2022.08.11	9th Meeting of the Board of Directors of the 12th Intake	Passed the application for line of credit with Mega International Commercial Bank. Passed the application for 2-year line of credit with Chang Hwa Bank.
2022.11.10	10th Meeting of the Board of Director of the 12th Intake	Passed the resolution on the base date for the issuance of new shares to be subscribed by employees by warrants in the 3rd quarter of 2022. Passed the 2023 Audit Plan. Passed 2023 Donations. Approved the revisions made to the "2022 Issuance of New Shares with Restricted Employees' Rights". Passed the amendments of the "Articles of Association." Passed the amendment to the Company's "Operating Procedure for Handling Major Internal Information". Passed the resolution on the application for comprehensive credit line granted by the transacting banks was passed. Passed the application for general line of credit with DBS Bank - Taipei Branch and DBS Bank (Taiwan). Passed the extension of endorsement/guarantee provided to Accton Global, Inc., a wholly-owned subsidiary of the Company. Passed the endorsement/guarantee provided to Vietnam Accton Technology Company Limited, a wholly-owned subsidiary of the Company.
2023.03.09	11th Meeting of the Board of Directors of the 12th Intake	Passed the base date for the issuance of new shares to be subscribed by employees by warrants in the 4th quarter of 2022. Passed the 2022 Business Report and Parent Company-only and Consolidated Financial Statement of the Company. Passed the proposal on the distribution of remuneration to employees and that to directors for 2022. Passed the distribution of earnings for 2022. Passed the 2023 Business Plan. Passed the proposed "Internal control system effectiveness evaluation" and "internal control system statement" of 2022. Passed the amendments to the "Procedure for Acquisition or Disposal of Assets." Passed the convening of the 2023 General Shareholders' Meeting. Passed the issues related to shareholder's right to make proposals at the shareholders' meeting were passed. Passed the resolution on the evaluation on the independence of the Company's CPAs. Passed the resolution on the application for comprehensive credit line granted by the transacting banks was passed. Passed of the change of Chief Financial Officer.

(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: None.

V. CPA Professional Service Fees:

Name of CPA Firm	Name of CPA	Audit Period	Audit Fees	Non-audit Fees	Total	Remark
Deloitte & Touche	Lin, Cheng-Chih	January 2022 ~ December 2022	9,565,637	1,509,640	11,075,277	—
	Chung, Ming-Yuan	January 2022 ~ December 2022				

Remarks: Major contents of non-audit service fees: Risk analysis 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) About Former CPA(s)

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 Succeeding CPA(s):

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) Replies from former CPAs on the issues specified in Article 10 Sub-paragraph 6 Item 1 an Item 2-3 herein:  
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 of 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 9, 2023.

Items of Evaluation	Results of Evaluation	Compliance with Independence
1. Does the Company have a Declaration of Independence Issued by CPAs?	Compliance with regulations	Yes
2. Does the stock affairs service unit confirm that the CPAs do not hold any share of Accton?	Compliance with regulations	Yes
3. The CPA has not held any concurrent position in the Company in the recent one year.	Compliance with regulations	Yes
4. 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.	Compliance with regulations	Yes
5. Are the Audit Quality Indicators (AQIs) referred to during the evaluation?	Compliance with regulations	Yes
6. Does the Company regularly evaluate the independence of CPAs?	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	2022		2023 up to March 31	
		Number of Increased (Decreased) Shares Held			
Director	Kuan Xin Investment Corp.	—	—	—	—
Chairman of the Board	Kuan Xin Investment Corp. Legal Representative: Lin, Meen-Ron	120,000	—	(9,000)	—
Director	Ting Sing Co., Ltd.	—	—	—	—
Director	Representative of Ting Sing Co., Ltd.: Du, Heng-Yi	—	—	—	—
Director	Huang, Kuo-Hsiu	—	—	—	—
Independent director	Huang, Shu-Chieh	—	—	—	—
Independent director	Lee, Fa-Yauh	—	—	—	—
Independent director	Eizo Kobayashi	—	—	—	—
Independent director	Ankur Singla	—	—	—	—
Independent director (Note 1)	Avigdor Willenz	—	—	—	—
CEO and General Manager	Edgar Masri	—	—	—	—
Senior Vice President	Yu, Ji-Hsiang	(36,000)	—	—	—
Senior Vice President	Li, Hsun-Te	—	—	—	—
Senior Vice President	Chiang, Ying-Hui	—	—	—	—
Senior Vice President of R&D	Lee, Kuan-Ze	—	—	—	—
Vice President	Liew, Hin-Soon	(45,000)	—	—	—
Vice President (Note 2)	Ming-Chang Cheng	—	—	—	—
CFO (Note 3)	Chen, Fang-I	—	—	—	—
Corporate Governance Manager	Lin, Hsing-Hsuan	—	—	—	—

Note 1: Mr. Avigdor Willenz resigned as independent director on January 16, 2023.

Note 2: Mr. Cheng, Ming-Chang took up the post of Vice President on August 29, 2022.

Note 3: Ms. Chen, Fang-I took up the post of Chief Financial Officer on March 9, 2023.

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

(III) Pledge of equity: The counterparts 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							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.		Remarks
	Shares Held in Person		Shares Held By Spouse and Minor Children		Holding Shares in Other's Name		Title (or Name)	Relation	
	Number of Shares	Share-Holding Ratio	Number of Shares	Share-Holding Ratio	Number of Shares	Share-Holding Ratio			
Jinjiemin Co., Ltd. Chairman: Huang, Kuo-Hsiu	45,113,765	8.05%	—	—	—	—	Kuanxin Investment Co., Ltd.	Corporations are controlled by the same owner	
Singapore Government Fund Account under the custody of Citibank	16,595,000	2.96%	—	—	—	—	—	—	
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	9,618,000	1.72%	—	—	—	—	—	—	
Norges Bank Investment Account under the custody of Chase	9,597,923	1.71%	—	—	—	—	—	—	
2021 First Fudiciary Fubon Investment Account of Labor Pension Fund (the New Fund)	9,077,100	1.62%	—	—	—	—	—	—	
Vanguard Emerging Markets Emerging Markets Stock Index Fund Investment Account managed by the Vanguard Group in the trusteeship of JPMorgan Chase Bank, N. A., Taipei Branch	7,474,610	1.33%	—	—	—	—	—	—	
Kuanxin Investment Co., Ltd. Chairman: Huang, Kuo-Hsiu	7,070,000	1.26%	—	—	—	—	Jinjiemin Co., Ltd.	Corporations are controlled by the same owner	
Advanced Composite International Stock Index Investment Account for a series of funds of Advanced Star Fund Manager in the trusteeship of JPMorgan Chase Bank, N. A., Taipei Branch	7,000,436	1.25%	—	—	—	—	—	—	
Nanshan Life Insurance Co., Ltd Chairman: Chen Tang	6,686,000	1.20%	—	—	—	—	—	—	

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

Unit: Shares; %

Name of Investee	Investment by Accton		Investments of Directors, Supervisors, Managers and directly or indirectly controlled businesses		Comprehensive Investment	
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio
Accton Logistics Corporation	1,000	100.00%	0	0.00%	1,000	100.00%
Accton Technology Corporation USA	2,198,510	100.00%	0	0.00%	2,198,510	100.00%
SMC Networks, Inc.	24,149,000	100.00%	0	0.00%	24,149,000	100.00%
Accton Century Holding (BVI) Co. Ltd.	51,973,171	100.00%	0	0.00%	51,973,171	100.00%
Accton Asia Investments Corporation	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 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%
Edgecore Networks India Pvt. Ltd.	0	0.00%	3,884,500	100.00%	3,884,500	100.00%
Vietnam Accton Technology Co., Ltd.	0	100.00%	0	0.00%	0	100.00%

#### IV. Funding Status

##### I. Capital and Shares

##### (I) Source of Capital

##### 1. Type of Shares:

Type of Shares	Authorized Capital			Remarks
	Outstanding Shares	Unissued Shares	Total	
Ordinary share	560,139,897 (listed)	319,860,103	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	97,293,000		1996.07.03

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	
						surplus reserve Capital transferred from capital surplus	55,862,000	—	(85) TCZ No. 41302
1997.03	10	111,617,750	1,116,177,500	95,177,500	951,775,000	Issuance of overseas depository receipts by cash increase	240,000,000	—	1997.01.23 (86) TCZ No. 75743
1997.07	10	180,000,000	1,800,000,000	132,951,025	1,329,510,250	Capital transferred from surplus reserve Capital transferred from capital surplus	301,593,250 76,142,000	—	1997.06.12 (86) TCZ No. 46577
1998.06	10	240,000,000	2,400,000,000	201,606,933	2,016,069,330	Capital transferred from surplus reserve Capital transferred from capital surplus Cash increase	296,960,500 139,598,580 250,000,000	—	1998.06.08 (87) TCZ No. 49990 1998.06.15 (87) TCZ No. 49986
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	51,905,900	—	2001.11.13

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
						increase in capital due to merger with Hexiang			(90) TCZ No. 166961
2002.01	10	580,000,000	5,800,000,000	409,497,883	4,094,978,830	Equity certificates transferred from bonds	332,609,260	—	—
2002.03	10	580,000,000	5,800,000,000	444,702,909	4,447,029,090	Equity certificates transferred from bonds	352,050,260	—	—
2002.08	10	880,000,000	8,800,000,000	568,136,110	5,681,361,100	Capital transferred from surplus reserve Equity certificates transferred from bonds	1,189,108,700 45,223,310	—	TCZYZ No. 0910132765 Document
2002.11	10	880,000,000	8,800,000,000	569,033,533	5,690,335,330	Equity certificates transferred from bonds	8,974,230	—	—
2003.01	10	880,000,000	8,800,000,000	569,043,148	5,690,431,480	Equity certificates transferred from bonds	96,150	—	—
2003.04	10	880,000,000	8,800,000,000	560,743,148	5,607,431,480	Decrease in capital by treasury stock	83,000,000	—	TCZYZ No. 0920104339 Document
2003.05	10	880,000,000	8,800,000,000	535,745,148	5,357,451,480	Decrease in capital by treasury stock	249,980,000	—	TCZYZ No. 0920114266 Document
2003.07	10	880,000,000	8,800,000,000	597,932,528	5,979,325,280	Capital transferred from surplus reserve Capital transferred from capital surplus	405,366,600 216,507,200	—	TCZYZ No. 0920121593 Document
2003.07	10	880,000,000	8,800,000,000	584,585,528	5,845,855,280	Decrease in capital by treasury stock	133,470,000	—	TCZYZ No. 0920129797 Document
2007.01	10	880,000,000	8,800,000,000	547,382,528	5,473,825,280	Decrease in capital by treasury stock	37,203,000	—	2007.01.18 YSZ No. 0960001184 Document
2007.02	10	880,000,000	8,800,000,000	544,585,528	5,445,855,280	Decrease in capital by treasury stock	2,797,000	—	2007.02.16 YSZ No.0960004129 Document
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

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
2009.04	10	880,000,000	8,800,000,000	543,494,109	5,434,941,090	Decrease in capital by treasury stock	1,020,000	—	2009.04.13 YSZ No. 0980009916 Document
2009.12	10	880,000,000	8,800,000,000	505,019,109	5,050,191,090	Decrease in capital by treasury stock	38,475,000	—	2009.12.22 YSZ No. 0980035596 Document
2010.04	10	880,000,000	8,800,000,000	498,924,109	4,989,241,090	Decrease in capital by treasury stock	6,095,000	—	2010.04.07 YSZ No. 0990008413 Document
2010.09	10	880,000,000	8,800,000,000	500,745,109	5,007,451,090	Shares transferred from warrants	18,210,000	—	2010.09.15 YSZ No. 0990027156 Document
2010.11	10	880,000,000	8,800,000,000	502,513,609	5,025,136,090	Shares transferred from warrants	17,685,000	—	2010.11.17 YSZ No. 0990034260 Document
2011.03	10	880,000,000	8,800,000,000	504,181,109	5,041,811,090	Shares transferred from warrants	16,675,000	—	2011.03.23 YSZ No. 1000007497 Document
2011.05	10	880,000,000	8,800,000,000	504,532,609	5,045,326,090	Shares transferred from warrants	3,515,000	—	2011.05.20 YSZ No. 1000014152 Document
2011.08	10	880,000,000	8,800,000,000	507,107,609	5,071,076,090	Shares transferred from warrants	25,750,000	—	2011.08.02 YSZ No. 1000022525 Document
2011.08	10	880,000,000	8,800,000,000	525,258,128	5,252,581,280	Capital transferred from surplus reserve	181,505,190	—	2011.07.04 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

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
2012.06	10	880,000,000	8,800,000,000	522,009,897	5,220,098,970	Shares transferred from warrants	12,587,690	—	2012.06.15 YSZ No. 1010017670 Document
2012.09	10	880,000,000	8,800,000,000	522,076,897	5,220,768,970	Shares transferred from warrants	670,000	—	2012.09.05 YSZ No. 1010027872 Document
2012.11	10	880,000,000	8,800,000,000	523,718,397	5,237,183,970	Shares transferred from warrants	16,415,000	—	2012.11.16 YSZ No. 1010035443 Document
2013.03	10	880,000,000	8,800,000,000	524,177,397	5,241,773,970	Shares transferred from warrants	4,590,000	—	2013.03.29 YSZ No. 1020009282 Document
2013.05	10	880,000,000	8,800,000,000	524,807,397	5,248,073,970	Shares transferred from warrants	6,300,000	—	2013.05.31 YSZ No. 1020015773 Document
2013.08	10	880,000,000	8,800,000,000	526,290,397	5,262,903,970	Shares transferred from 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

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
2015.05	10	880,000,000	8,800,000,000	534,287,897	5,342,878,970	Shares transferred from warrants	2,075,000	—	2015.05.27 ZSZ No. 1040014881 Document
2015.09	10	880,000,000	8,800,000,000	534,932,897	5,349,328,970	Shares transferred from warrants	6,450,000	—	2015.09.07 ZSZ No. 1040025943 Document
2016.04	10	880,000,000	8,800,000,000	536,975,897	5,369,758,970	Shares transferred from warrants	20,430,000	—	2016.04.01 ZSZ No. 1050008585 Document
2016.05	10	880,000,000	8,800,000,000	537,755,397	5,377,553,970	Shares transferred from warrants	7,795,000	—	2016.05.26 ZSZ No. 1050014197 Document
2016.08	10	880,000,000	8,800,000,000	538,124,397	5,381,243,970	Shares transferred from warrants	3,690,000	—	2016.09.06 ZSZ No. 1050024923 Document
2016.11	10	880,000,000	8,800,000,000	543,707,897	5,437,078,970	Shares transferred from warrants	55,835,000	—	2016.11.24 ZSZ No. 1050032595 Document
2017.03	10	880,000,000	8,800,000,000	545,442,897	5,454,428,970	Shares transferred from warrants	17,350,000	—	2017.03.31 ZSZ No. 1060008483 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

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	
2018.08	10	880,000,000	8,800,000,000	556,663,397	5,566,633,970	Shares transferred from warrants	4,055,000	—	2018.08.23 ZSZ No. 1070024582 Document
2018.11	10	880,000,000	8,800,000,000	557,483,897	5,574,838,970	Shares transferred from warrants	8,205,000	—	2018.11.20 ZSZ No. 1070033908 Document
2019.03	10	880,000,000	8,800,000,000	557,589,897	5,575,898,970	Shares transferred from warrants	1,060,000	—	2019.03.29 ZSZ No 1080008783 Document
2019.05	10	880,000,000	8,800,000,000	557,686,397	5,576,863,970	Shares transferred from warrants	965,000	—	2019.05.21 ZSZ No 1080014175 Document
2019.08	10	880,000,000	8,800,000,000	557,891,397	5,578,913,970	Shares transferred from warrants	2,050,000	—	2019.08.20 ZSZ No 1080024264 Document
2019.11	10	880,000,000	8,800,000,000	557,970,397	5,579,703,970	Shares transferred from warrants	790,000	—	2019.11.26 ZSZ No 1080034337 Document
2020.03	10	880,000,000	8,800,000,000	558,051,397	5,580,513,970	Shares transferred from warrants	810,000	—	2020.04.01 ZSZ No 1090009030 Document
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

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
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
2022.05	10	880,000,000	8,800,000,000	560,048,397	5,600,483,970	Shares transferred from warrants	128,000	—	Letter ZSZ No 1110016318 dated May 26, 2022
2022.11	10	880,000,000	8,800,000,000	560,058,397	5,600,583,970	Shares transferred from warrants	10,000	—	Letter ZSZ No. 1110038079 dated November 25, 2022
2023.03	10	880,000,000	8,800,000,000	560,139,897	5,601,398,970	Shares transferred from warrants	81,500	—	Letter ZSZ No. 1120008865 dated March 22, 2023

3. Information on the shelf registration system: None.

Preferred stock: None

## (II) Shareholder Structure:

April 17, 2023

Shareholder Structure	Government Organization	Financial Institution	Other Legal Person	Individual	Foreign Institution and Outsider	Total
Quantity						
Number of People	124	23	296	35,838	1,237	37,518
Number of Shares Held	47,035,845	15,471,701	65,193,781	57,479,083	374,978,487	560,158,897
Shareholding Ratio (%)	8.40	2.76	11.64	10.25	66.95	100

## (III) Dispersion of Equity Ownership

NT\$ 10 per share in denomination on April 17, 2023

Class of Shareholding	Number of Shareholders	Number of Shares Held	Shareholding Ratio (%)
1 to 999	27,389	2,502,267	0.45%
1,000 to 5,000	7,556	13,873,074	2.48%
5,001 to 10,000	879	6,216,641	1.11%
10,001 to 15,000	318	3,865,339	0.69%
15,001 to 20,000	149	2,676,104	0.48%
20,001 to 30,000	204	4,966,325	0.89%
30,001 to 40,000	98	3,360,309	0.60%
40,001 to 50,000	85	3,836,784	0.68%
50,001 to 100,000	252	18,242,867	3.26%
100,001 to 200,000	197	27,906,795	4.98%
200,001 to 400,000	157	44,223,744	7.89%
400,001 to 600,000	66	31,434,525	5.61%
600,001 to 800,000	36	24,809,976	4.43%
800,001 to 1,000,000	25	22,085,725	3.94%
Over 1,000,001	107	350,158,422	62.51%
Total	37,518	560,158,897	100%

## (IV) List of Major Shareholders:

April 17, 2023

Shares	Number of Shares Held	Shareholding Ratio (%)
Name of Major Shareholder		
1. Jinjiemin Co., Ltd.	45,113,765	8.05%
2. Singapore Government Fund Account under the custody of Citibank	16,595,000	2.96%
3. Investment Account of SUNNY RISE INVESTMENT LIMITED under the custody of Bank SinoPac	12,983,664	2.32%
4. The MTX Stable Emerging Market Leader Investment Account of the Peak Tebell Fund entrusted by the business department of Standard Chartered International Commercial Bank	9,618,000	1.72%
5. Norges Bank Investment Account under the custody of Chase	9,597,923	1.71%
6. 2021 First Fudiciary Fubon Investment Account of Labor Pension Fund (the New Fund)	9,077,100	1.62%
7. Vanguard Emerging Markets Emerging Markets Stock Index Fund Investment Account managed by the Vanguard Group in the trusteeship of JPMorgan Chase Bank, N. A., Taipei Branch	7,474,610	1.33%
8. Kuanxin Investment Co., Ltd.	7,070,000	1.26%
9. Advanced Composite International Stock Index Investment Account for a series of funds of Advanced Star Fund Manager in the trusteeship of JPMorgan Chase Bank, N. A., Taipei Branch	7,000,436	1.25%
10. Nanshan Life Insurance Co., Ltd	6,686,000	1.20%

(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			
		2021	2022	2023 up to March 31	
Market value per share	Maximum	354.00	295.00	319.00	
	Minimum	226.00	196.00	237.50	
	Average	285.96	248.30	274.20	
Net worth per share	Before Distribution	27.89	36.61	40.39	
	After Distribution	21.86	Note	—	
EPS	Weighted average number of shares (Thousand shares)		557,501	557,837	557,940
	EPS	Before adjustment	8.44	14.64	3.65
		After adjustment	—	—	—
Dividends per share	Cash dividends		5.9987	Note	—
	Stock grants	Surplus distribution	—	—	—
		Capital surplus distribution	—	—	—
	Accumulated Undistributed Dividends		—	—	—
Analysis of Investment Return	P/E Ratio		33.88	16.96	—
	Price/Dividend Ratio		47.67	Note	—
	Cash dividend yield		2.10%	Note	—

Note: As approved by the Board of Shareholders in 2021, NTD5.9987 per share as cash dividends was distributed. The Earnings Distribution Statement of 2022 is pending approval through the shareholders' meeting.

(VI) Dividend Policy and Implementation Status:

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.

The Company'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 dividends distributed shall not be less than 50% of the total distributable earnings.

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. For the distribution of 2022 earnings as approved by the Board of Directors, the shareholder bonus in cash was NT\$4,201,116,728, accounting for 40.46% of the distributable earnings.

2. Distribution of dividends intended to be proposed and discussed during the current shareholders' meeting: The Company's distribution of earnings for 2022 was approved by the Board of Directors on March 9, 2023, as shown in the table below. The case will be handled in accordance with the relevant regulations after it is approved through the General Shareholders Meeting on June 15, 2023.

Earnings Distribution Statement of 2022

Unit: NT\$ Thousand

Items	Amount	Cash Dividends	Stock Dividends
Undistributed earnings at beginning of the period	2,983,225,679	0	0
Add: Remeasurements of defined benefit plans recognized in retained earnings	20,266,558		
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	0		
Add: Net profit after tax for the current period	8,165,812,627	0	0
Undistributed earnings for the current period	11,169,304,864		
Less: Provision of statutory surplus reserve	(818,607,919)		
Add: special reserve	32,524,293		
Distributable earnings for the current period	10,383,221,238	0	0
Distribution items:			
Shareholders' dividends - cash (7.5 per share)	4,201,116,728	4,201,116,728	0
Unappropriated retained earnings at the end of period	6,182,104,510	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 to employees, directors, and supervisors:

1. Amount or scope of remuneration to employees, directors and supervisors as stated 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 2022, and it was resolved in the meeting of the Board of Directors that no more than 1.5% of the aforesaid profit shall be reserved as remuneration of Directors. If any amount changes as of the date when resolution is made at the meeting of the Board of Shareholders, such change shall be treated based on accounting estimates, and recorded into the account of the year in which such resolution is made. If it is resolved in the meeting of the Board of Shareholders to distribute dividends to employees in the form of stock, the stock dividends shall be determined by dividing the amount of dividends to be distributed as resolved by the fair value of the stock. "Fair value of the stock" refers to the closing price on the day immediately before the resolution is made at the meeting of the Board of Shareholders (after the impact of XR and XD is considered). Accton did not distribute any stock dividends in current period. If there's any difference between the actual amount distributed as resolved at the meeting of the Board of Shareholders and the estimated figures, such difference shall be recorded into account in the current year of distribution.

3. Distribution of remuneration as approved by the Board of Directors:

(1) Amount of remuneration to employees and that to directors assigned in cash or shares:

On March 9, 2023, the Board of Directors of the Company decided to distribute cash bonus of NT\$ 1,269,568 thousand to employees and remuneration of NT\$ 40,000 thousand to directors based on the earnings of 2022.

(2) If there is any discrepancy between the above-mentioned 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 2022, 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 (2022) Meeting of Board of Shareholders	Difference (NT\$)
Cash dividends to employees	713,872,292	713,872,292	0
Stock dividends to employees	0	0	0
Director Remuneration	40,000,000	40,000,000	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, 2023

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) Buyback of the Company's shares (ongoing): None

- II. Corporate Bonds: None.
- III. Preferred stock shares: None.
- IV. Global Depository Receipts (GDRs): None.
- V. Employee share subscription warrants:
- (1) Employee share subscription warrants

March 31, 2023

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	3.57%
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	18,008,500 shares
Amount of subscribed shares	279,384,301
Number of shares not subscribed	1,159,000 shares
Subscription price per share for the subscriber without subscribed shares	13.10
Number of shares not subscribed and its ratio (%) in total issued shares	0.21%
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 share subscription warrants and the employees who rank among the top ten in terms of the number of shares available for subscription via employee share subscription warrants

March 31, 2023

Job Title	Name	Number of shares that can be subscribed (thousand shares)	Ratio (%) of subscription number obtained in total issued shares	Subscribed				Not subscribed				
				Price of shares subscribed	Number of shares subscribed (thousand shares)	Amount of shares subscribed (NT\$ Thousand)	Ratio (%) of number of shares, subscribed in total issued shares	Price of shares subscribed	Number of shares subscribed (thousand shares)	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	4,372	0.78%	3,802	12.57	47,799	0.68%	570	13.1	7,467	0.10%
	Senior Vice President	Chiang, Ying-Hui										
	Chief Financial Officer	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	5,845	1.04%	5,310	12.42	65,929	0.95%	135	13.1	1,768	0.02%
	Senior Assistant Manager	Li, Yu-Yung										
	Senior Assistant Manager	Li, Fang-Yung										
	Special Assistant	Huang, An-Jye										
	Senior Assistant Manager	Huang, Kuo-Ning										
	Special Assistant	Yang, Chien-Wu										

#### VI. Restricted stock awards:

The Company's Board of Directors approved on March 17, 2022 issuance of 2,000,000 new shares with restricted employees' rights, which was approved by the Financial Supervisory Commission and took effect on October 25, 2022; no issuance has taken place, however, as of December 31, 2022.

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

#### VIII. Implementation of Capital Utilization Plan:

Accton has not issued or privately offered any securities over the past three year.

## 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 equipment, including switchers and wireless base stations.
  - Customer premises equipment, including hardware, system software and application software.
  - Optoelectronic communication subsystems, including optical networks, optoelectronic communication modules and fiber optic repeaters.
  - WLAN.
  - Wireless user loop systems.
  - IoT systems, including terminal hardware, system software, application software and hybrid cloud platforms. (Internet of Everything- IoT system includes IoT gateways/controllers, multi-sensors, applications, and hybrid-cloud servers)
  - Smart network interface cards
  - Millimeter-wave APs, bridges and CPEs
  - 5th generation cellular CPEs and enterprise small-cell base stations.
  - Enterprise-grade SD-WANs and virtual/universal CPEs
  - Edge servers
  - Import and export business related to Accton's business.

##### (2) Proportions of 2022 business revenue

- |                                 |     |                              |    |
|---------------------------------|-----|------------------------------|----|
| ■ Network switches              | 59% | ■ Wireless network equipment | 2% |
| ■ Network application equipment | 27% | ■ Others                     | 3% |
| ■ Network access equipment      | 9%  |                              |    |

##### (3) The Company's current products (services)

- Dedicated switches for large data centers (200G/400G data center switches)
- Modular optical coherent es
- Dedicated switches for large data centers (10G/40G/25G/100G data center switches)
- L2/3/4 high-speed Ethernet switches (including Gigabit Multi-rate 2.5G/5G/10G)
- Multi-layer rack-type switches (including Gigabit CLOS chassis)
- Power over Ethernet switches ( PoE+/PoE++)
- 5G base station return routers (CSR/DCSG: cell site Routers/Disaggregated Cell Site Gateway Routers)
- Disaggregated OLT for Open GPON/ XGS-PON
- Fiber door-to-door series products (FTTx)
- Carrier-class access network products
- Carrier-class core routers
- Metro edge switches
- Switches with synchronous Ethernet and IEEE1588
- Enterprise-grade integrated service gateways
- Enterprise-grade and telecom-grade wireless network base stations
- Multi-access wireless broadband routers/CPEs
- Wireless base station controllers
- 5G (5<sup>th</sup> generation cellular) CPEs
- Driver software, network management software and network operating system software
- 60 GHz long-distance point-to-point/point-to-multipoint outdoor wireless bridges
- Long-distance outdoor millimeter-wave bridges
- Smart gateways, smart energy monitors and environment monitor systems
- Smart Factory (AI-AOI inspection platforms)
- Smart Care for elderly care & ultra-low temperature monitor systems for biomedical sciences
- Servers with switch function
- Enterprise-grade SD-WANs
- 10/25/50/100 Gbps smart NICs
- NVMe server storage
- AI training mezzanines/PCIe cards and appliances
- Edge servers
- WiFi 7 802.11be MU-MIMO WLAN Access Point
- Multi-gigabit Ethernet (2.5/5/10Gbps) enabled WiFi 7 802.11be MU-MIMO WLAN Access Point
- Cloud-based WLAN Access Points

(4) New products (services) planned to be developed

- New generation AI training mezzanines/PCIe cards and appliances
- Edge servers
- Cyber security gateways
- 5G open RAN DU servers
- New generation smart NICs
- Network Management System
- Cloud-based OCP in Telco SDN and NFV
- SDN Open Network Software
- 400G/800G carrier-class open distributed disaggregated carrier DDCs
- Carrier-class open aggregation switches
- LTE/5G + Wi-Fi Multi-Access Gateway Router/CPE
- 802.11ad + WiFi multi-band indoor Enterprise AP and outdoor bridge
- Wi-Fi 7 Enterprise Access Point
- Omni (360 degrees coverage) outdoor 60GHz base station
- SD-WAN appliances
- 5G mmWave CPE
- 802.11ay 60GHz long distance point-to-point and point-to-multipoint outdoor fixed wireless broadband bridge
- Enterprise/industrial virtual IoT gateways
- Next generation server switches
- IoT applications: smart applications in real-time cold-chain, power usage monitor solutions
- Smart Factory - AIoT turnkey services and environmental information visualization systems

(II) Industry Overview:

(1) Current status and development of the industry

The world will gradually return to the normal state of physical office and activities in 2023. However, the growth of the global consumer electronics market may slow down due to uncertain factors such as inflation, the Russian-Ukraine war and the COVID-19 pandemic. The Industrial Technology Research Institute believes that the "Metaverse of Things" (MoT) business opportunities integrating virtualization and immersion technology will develop rapidly. Gartner said that although inflation weakens consumers' purchasing power, enterprises will continue investing in digital business development, and the overall IT growth is still strong, estimated will grow to 46 billion NT dollars. It is predicted that the global IT expenditure in 2023, including the expenditure on data center systems, software, devices, IT services and communication services, will increase by 2.4% compared with that in 2022. IDC pointed out that the telecommunications market in the Middle East, Turkey and Africa is expected to exceed USD100 billion for the first time in 2023, and boldly estimated that the total expenditure will reach USD233.8 billion. With the region's growing digital economy, digital transformation expenditure will reach USD48.8 billion in 2023. The Brazilian telecommunications market is expected to grow to USD 80 billion.

IDC has made several forecasts for the ICT market in Taiwan. Considering geopolitical factors, countries and enterprises will pay more attention to the independent management and development ability of digital sovereignty.

Many enterprises are concerned about the location of the data center and whether the data stored in the cloud are protected. At the same time, software vulnerability risk promotes the development of the digital supply chain. IDC estimates that by 2024, about 55% of enterprises will sign the Software Bill of Materials (SBOM) with their customers to provide software traceability for customers and improve the security of digital supply chain. At present, single-mode AI applications can no longer meet the needs of enterprises in real-time decision-making and forecasting capabilities. IDC predicts that the talent and technology gap will drive IT organizations to invest in AI skills. It is estimated that 40% of AI models will cover multimodal data calculus by 2026 to provide more accurate automation performance for enterprises, and help overcome the decision flow barriers of various business processes within organizations.

Market Intelligence & Consulting Institute (MIC) of the Institute for Information Industry pointed out that the trend of net zero transformation and sustainable ESG is more significant for the future of Taiwan's telecommunications industry in 2023. In line with the medium-term goal of 2023 net zero carbon emissions of international brand customers, SMEs are bound to invest in net zero transformation. The EU will implement the "Corporate Sustainability Reporting Directive" (CSRD) from 2025 onward. The EU is Taiwan's fifth largest trading partner, and enterprises should pay attention to the penalties for violating CSRD; enterprises meeting the international ESG standards are expected to attract more investment funds.

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

Upstream	Mid-stream	Downstream
CPU chip manufacturers	Switches	System integration providers
IC chip manufacturers	Wireless network base stations	Network equipment suppliers
PC board manufacturers	Network cards	Telecommunication operators
Crystals	Network operating systems	Enterprise network planners
Passive components/resistors and capacitors	Network application servers	
Power suppliers		
DRAM/SRAM/flash memory manufacturers		
Institution/packaging material suppliers		

Accton integrates upstream wired and wireless LAN chip manufacturers, cooperates with their own R&D teams to provide integrated network platforms and systems, and optimizes network software and hardware for end users. Accton and large chip manufacturers maintain a good interactive relationship, and effectively grasps the source and information of related components to further grasp market opportunities and deepen the existing cooperative relationships in the fields of business, technology research and development and manufacturing supply chain.

(3) Various development trends and competitive situations of products

Data center switches

Dell 'Oro Group predicts that data center switches will continue to grow in double digits in 2023; the demand will peak in 2023, mainly from large-scale cloud data centers. Sales to the enterprise end are expected to be in a downturn, showing the precursor of the past market recession. The growth in the first half of 2023 came from the orders accumulated in 2022. The improvement of the supply chain environment will help the delivery of these orders. In the second half of 2023, considering the improvement of the supply chain and macroeconomic resistance, it is predicted that the panic pre-purchase and purchase behavior experienced by the current market will be interrupted. It is observed that in the next five years, from 2022 to 2027, the data center switch market will exceed USD100 billion.

On routers for network service providers, Dell'Oro pointed out that the router and switch market of global service providers will approach USD77 billion in 2027. The upgrading of the global IP backbone network drives the demand for 400 Gbps routers. 5G RANs (Radio Access Networks), IoT, more and more broadband users, streaming videos and music, and game platforms all rely on higher network capacity. The deployment of 5G RAN has led to the expansion of mobile networks, while mobile network providers have expanded their mobile transmission networks by deploying 400 Gbps routers. 5G technology allows consumers to read more media content and bring more traffic to network service providers. Therefore, telecom and cloud service providers will continue investing in network upgrading, and use 400 Gbps technology to support the increasing traffic. The top five router manufacturers will release core routers equipped with the latest ASIC chips in 2023, and the revenue of core routers is expected to grow accordingly.

Wireless area network

Although the supply chain limited the shipment of Wi-Fi 6 (802.11ax) in 2022, manufacturers showed amazing flexibility in achieving shipment, such as redesigning products and finding new parts suppliers. At the same time, the mixed working mode during the city lockdown period highlighted the importance of Wi-Fi, and enterprise wireless LAN equipment became a scarce product. Therefore, the revenue in several quarters of 2022 hit record highs. Looking forward to the growth of Wi-Fi 6 shipments in 2023, the cost of manufacturers will increase, and the price of wireless area network products will also rise; manufacturers outside the China region still have unshipped orders. Dell'Oro boldly predicts that the wireless LAN market will break the USD10 billion mark in 2023.

(III) Technology and R&D Overview

(1) Research and development expenditure and its proportion to revenue in the last two years and as of March 31, 2023

Year	R&D Expenses	Unit: NT\$ thousand in Operating Income (%)
2021	2,668,321	4.48
2022	2,972,931	3.85
March 31, 2023	834,895	4.24

(2) R&D Achievements

The year 2022 is an important milestone for Accton Group to implement the goals of deep cultivation in Taiwan, opening up the international market, and building a global symbiotic system. We will build the Group as an innovative R&D and smart manufacturing hub, and provide efficient new product

introduction services for global customers. In recent years, the industry has experienced the COVID-19 pandemic, the US-China trade war, and the Russian-Ukraine war, which led to the rapid inflation of the global economy and the rise of geopolitical situations. The post-pandemic market has also been affected by the high uncertainties of the supply and demand sides. Accton has continued its innovation and development, and has made a leading layout in technology and investment. In the network architecture, "switches" play an indispensable role, just like the leading position of Accton in the innovative technology of global Netcom. Accton has been vigorously developing data center network equipment, making advanced deployment of 400G/800G switches and technological innovation of energy consumption and heat dissipation of the new generation data center, and 5G telecommunications solutions, as well as developing the new generation open network separated GPONs/XGS-PONs, disaggregated open OLTs, carrier-class open aggregation switches, carrier-class open distributed disaggregated carrier DDCs, Artificial intelligence innovative application products, open and software-defined network SD-WAN/uCPE equipment solutions, 5G open RANs, new generation 5G mobile infrastructure solutions, etc., and actively expands the industrial system and innovative applications to lead the global Netcom market into a new stage. In terms of capacity, the new plants in Vietnam and Irvine in the United States will be put into operation in the first quarter and the third quarter of 2023 respectively. It is estimated that the construction of Chubei AI Smart Park will be completed in 2024, and the expanded capacity and investment in new technologies will expand the business territory of the Group.

The uncertainties of the post-pandemic era and the changes in people's lifestyles and economic activities continue to drive the demand for network bandwidth and the upgrading of telecommunication equipment specifications., and we must rely on faster data transmission and more bandwidth and more efficient switches to support the applications of high-performance computing (HPC), artificial intelligence (AI) and machine learning, metaverse, 5G, Wi-Fi 6, Internet of Things, etc. Ultra-high speed network switches above 400G/800G have become the necessary equipment for the next generation of large-scale data centers to increase bandwidth capacity. Accton is the world's largest supplier of 100G white-brand switches and the first manufacturer to develop 400G/800G. With the advent of the era of ultra-high speed network switches, the standard requirements for heat dissipation, energy conservation and line loss will be elevated. The R&D team has actively conducted research and development, including liquid heat dissipation and co-packaged optics (CPO), to maintain the relatively advanced technology of Accton's 400G/800G exchangers in the world. We provide advanced network products that meet the open network architecture and software definition network specifications to meet the various needs of different customers, and expand different application solutions. Accton not only deploys technologies with higher transmission speed and higher traffic in advance, but also deploys in advance for different technical application requirements such as upgrade and expansion, high-speed computing and heat dissipation and energy saving. Due to the continuous increase in the global demand for high-speed cloud computing, the deployment density of data center equipment has increased, and the problems of computer room heat dissipation and power consumption have posed great challenges to the air cooling technology currently widely used in high-density computer rooms. Accton launched the world's first two-phase immersion cooling 100G optical fiber switch module, which is applied to high-speed computing cloud data centers. Compared with the widely used air cooling technology, the introduction of an immersion cooling system in the data center can reduce energy consumption by 20%, reduce the increasingly heavy burden of energy consumption, and reduce the equipment failure rate caused by high temperatures. Due to the large number of operation server units in the immersed cooling system, the Company has researched and developed the best solution for the operation unit in the cooling tank, the external uplink network, and the equipment control and management connection network. It becomes the first network communication equipment manufacturer to introduce the two-phase immersion technology into the optical fiber port of the 100G switch. This "immersion switch module" adopts a rack-type design, which internally improves the capacity of the computable server, simplifies the wiring externally, integrates data and management into the common module, and retains the horizontal expansion capability. It can be used as a top of rack (ToR) switch on the equipment cabinet, or as a leaf switch in the Clos network architecture to connect other cabinets, and exchange data in the fastest way and shortest path to improving the overall computing efficiency. Accton pioneered modular design in the industry. The module design, material selection and manufacturing specifications meet the immersion environment standards. In the high temperature and high density machine room environment, the immersed switch can still maintain high efficiency and high reliability, provide 100Gbps transmission rate for data calculation, and stably connect with the data center network. This modular design allows the old equipment casing to be reused to reduce the waste generated by equipment upgrading and replacement. The issue of energy consumption and heat dissipation of the new generation data center is an important issue for global energy conservation and sustainable development. Accton has long listed it as a key research and development project, and has cooperated with many Taiwan manufacturers to establish a proof of concept (POC) in the plants of Taiwanese semiconductor manufacturers. In addition to using its immersed switch module, Accton also introduced the SONIC open switch operating software of Edgecore Networks Corporation, a subsidiary of Accton, for the operation and management of the data center network in semiconductor plants. Taking

sustainability and energy-saving of ESG as the starting point, and providing the future data center with the best energy-conversion green-energy solution has become an important technical layout for our development of ultra-high speed switches for the next generation of data centers.

Accton's deconstructed open network solution provides a complete 5G telecom solution for the telecom industry. DCSG realizes a new generation of deconstructed open networks; whether it is to collect network data for the backhaul, improve the traffic of the transmission network, or deconstruct the core network to increase flexibility, it provides the best solution from access to the core network architecture. This solution can reduce the capital expenditure and operating costs of the overall telecom network construction, and is designated for use 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. With the growing maturity of 5G technology and the rise of open network architecture, telecom operators can accelerate the provision of high-quality services through a flexible product portfolio. Traditional networks are often unable to achieve the level of flexibility required today because specific suppliers monopolize them 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.

Affected by COVID-19, the trend of working from home (WFH) is rising, the demand for network transmission is increasing, and operators in various countries are accelerating to promote 10G PON fiber broadband services. The demand for broadband applications drives the upgrading of broadband networks. The fixed-line service providers continue expanding the construction of FTTX networks and introduce a new generation of 10G PON networks. On optical fiber OLT, Accton has also developed a new generation of open network separated GPON/XGS-PON OLT optical line terminal equipment (disaggregated Open OLT), providing 10G XGS-PON fiber-to-home applications to meet the requirements of the telecommunications service providers on the provision of end-to-end optical fiber deployment plans. In line with the demand of the new generation of open networks, OLT can also be used with OLN to improve the flexibility in telecommunications service operators' deployment. In terms of broadband access products and technologies, we are also actively developing 10G active fiber and PON broadband access network solutions. On the product lines, we also develop and provide carrier-class open aggregation network switch and carrier-class open distributed disaggregated carrier (DDC) products, which can help customers realize comprehensive virtualization from the access network to core network and effectively reduce the cost and complexity of network construction and maintenance.

The new network architecture - open radio access network (O-RAN), led by global telecom companies, represents the evolution of a fully open and virtualized 5G network. 5G imports the O-RAN architecture to make the "telecom base station" interface more open and standardized through cloud and virtualization. Accton's R&D team leads the market in developing the new wireless radio frequency unit for 5G mobile communication. The 5G NR is designed as 4T4R (4 for sending and 4 for receiving), which can transmit and receive data with mobile phones and user-end equipment (CPE) through the 100 MHz bandwidth to meet the requirements of telecom operators on 1x2T2R, 2x2T2R, 1x4T4R, and the same or different second frequency bands. Moreover, the developed hardware can be used as O-RU and small-cell, which can be changed from O-RU to small-cell with software updates and enhanced functions. With the open establishment of 5G NR CU/DU/RU, we hope to achieve the separation of software and hardware of the system through the open small base station architecture, and create the system interconnection and open network equipment architecture, which can not only avoid the end-to-end closed network architecture provided by system equipment manufacturers, but also strengthen the autonomy of network construction, reduce the investment amount of network equipment, develop and introduce new functions, and optimize the flexibility and efficiency of future network construction. Accton cooperated with Picocom, the 5G O-RAN baseband chip developer, to launch a new 5G O-RAN solution, presented 5G O-RAN RU and DU, and cut into O-RAN business opportunities. Accton's O - RAN, the next-generation 5G mobile infrastructure solution, can bring innovation, cost effectiveness and power efficiency to the market, accelerate the commercialization of the open RAN market, strengthen the infrastructure ecosystem, and is more conducive to creating a highly flexible next-generation mobile network to provide more customers with high-quality innovative technology products and services.

AI is not only the key technology to add value to technological products, but also the key to determining technological competitiveness in the future. Gartner estimates that the global AI output value will be as high as USD 13 trillion in 2030. The higher the AI application acceptance, the greater the contribution to GDP. Under its continuous leadership of innovative technology, Accton has deepened the application of AI innovation. The "Zhubei AI Smart Park" construction plan was launched in July 2022, which will create the Group's global innovation and research center and smart manufacturing center. Accton's AI team has developed a number of scalable and different application solution products to provide the most flexible

deployment. Accton developed the first PCI-SIG specification 5.0 defined, full-height and half-length PCIe x16 800G smart NIC. This card is compatible with three hardware architectures: ASIC (application-specific integrated circuit) type with flexibility, FPGA (field programmable logic gate array) type with high programmability, and SOC (system-level chip) type with easy programming and high flexibility, leading FPGA programmable smart network cards and FPGA+ASIC network controller smart network cards on the market. It can carry out high-speed cloud computing with a high-level network security mechanism and prevention of data theft, high-speed and efficient network analysis and data processing. It can efficiently transmit data for programming acceleration/reasoning/calculation/search/analysis and processing engines for AI, machine/deep learning, security, telecom and storage applications. The AI training acceleration module is configured with PCIe Gen5.0 high-speed channel, which can be connected to PCIe interface of external servers, and 112Gbps PAM4 high-speed network interface, which can be connected with 800G QSFP-DD (four channel small pluggable dual density). The network ports can be connected directly to the server with optical fiber or direct connection cable (DAC), with extremely high scalability and strong integration capability. This acceleration module also has RoCE (RDMA over Converged Ethernet) (RDMA based on converged Ethernet) function, which allows the system to perform remote direct memory access (RDMA) through Ethernet. It can easily expand laterally and vertically to meet the data center's demand for rapid expansion of OCP servers. Accton takes the lead in developing DPU (Data Processing Unit) data processors at home and abroad, innovates the FPGA+CPU architecture design, and integrates the out-of-band management module BMC to form a new type of integration of FPGA, CPU and NIC data unloading, and independent security encryption functions. At the same time, the architecture card that integrates the out-of-band management functions can effectively improve the processing capacity of CPU outsourced data and the server's performance. DPU is mainly responsible for the data transmission in the data center, and specially handles the data transmission, compression, storage, encryption and analysis through the acceleration engine and efficient network interface. In a large-scale XServer rooms, using DPU to share the workload of CPU can release the computing power of the central processing unit to handle more critical tasks. DPU is used in many different areas with intensive computing, including Big data, AI, machine learning and deep learning.

Software Defined Wide Area Network (SD-WAN) uses network virtualization technology based on software architecture to simplify the deployment and maintenance of enterprises in the wide area network and virtual private network, reduce the overall cost of ownership, establish an efficient wide area network, and partially or completely replace the expensive private wide area network technology, for example, multi-protocol label switching (MPLS) or leased line. Through powerful hardware performance and highly flexible intelligent user terminal operating system of Virtual/universal CPE (vCPE/uCPE), service providers can quickly provide the required services upon request via network function virtualization. Unlike traditional devices in the past, adopting new services requires deploying and configuring new hardware. The vCPE out-of-the-box service elasticity can improve the remote management capability of service providers and reduce the operating costs of both parties. Accton's open, software-defined networking solutions provide a range of highly flexible SD-WAN/uCPE devices that can serve as a network computing hardware platform for enterprises at all levels. These devices use Intel x86 System on Chip (SOC) or NXP ARMv8 processors, which have high computing efficiency, network virtualization, encryption engine and high bandwidth throughput, and can support network function virtualization (NFV) services to meet high computing efficiency requirements. In the future, integrated solutions will be a combination of a variety of techniques to practice and support multiple connection circuits. It can dynamically switch the transmission path, unify the operation interface for control according to the load status, and support the virtual private network (VPN) and wide area network (WAN) to optimize controller and network security mechanism on the SD-WAN single device to reduce the cost of exclusive bandwidth, while improving the transmission efficiency.

In the post-COVID-19 era, with the slowdown of the pandemic, industry and life have gradually returned to normal, but their appearance and nature have changed. The concept of "new normal" is accelerating and has actually entered social activities. With the global business layout of enterprises and the aggravation of the pandemic in the past two years, in response to the demand for large-scale remote office environment construction due to the mixed working mode of working from home (WFH) and working from anywhere (WFA) Edgecore Networks Corporation has launched WFA series of solutions for enterprise users, including SD-WAN series of products and pocket WFA AP wireless routers. WFA SD-WAN solution allows enterprise users to quickly adjust their work patterns and organization and operation modes. It can adapt to sudden operational changes, introduce a secure VPN network environment, and reduce the cost of expensive private lines. Workers in different sites can remotely use the enterprise intranet environment and application tools, allowing enterprises to maintain a high operating efficiency without being limited by the number and location of branches. The pocket WFA AP solution can connect to the same wireless network name (WLAN SSID) as the office without installing other customer-end software, automatically connect to the company's VPN, instantly create the same network environment as the office, and ensure user identity security. In addition, under the condition of coexisting with the virus to fight the pandemic,

the pandemic prevention thinking has introduced the innovative research and development of "smart indoor positioning system" of Edgcore Networks Corporation which allows enterprises to carry out access control, contact tracking, flow analysis and statistics, exception notification and other functions according to the change of the pandemic situation and internal needs, and improve the security and operation management efficiency of the building or the industrial park. Edgcore has cooperated with TIP (Telecom Infra Project) for a long time to promote the development of OpenWiFi, and is the only manufacturer in the world that provides the latest version of OpenWiFi full-line solutions, including cloud controller Wi-Fi AP and Open API. It cooperates with the TIP Community Lab of the Industrial Technology Research Institute to build the OpenWiFi test environment and provide the cloud-to-end OpenWiFi solution environment, including the cloud management controller platform supporting OpenWiFi 2.4, which can manage different brands of OpenWiFi devices under the same cloud control platform, and provide multiple enterprise-level wireless routers with the latest TIP version of Wi-Fi 6 to establish the terminal test environment. Edgcore will strive to promote the implementation of TIP OpenWiFi certification in Taiwan and accelerate the development of Taiwan's open network. IgniteNet has created the 60 GHz mmWav (millimeter microwave) market and become a leader in wireless network cloud management and 60 GHz millimeter microwave technology, and provides the best solution for multi-gigabit network construction required by various emerging applications for global telecom operators/service providers and enterprises. IgniteNet MetroLinq products use the 60 GHz millimeter wave band to realize wireless transmission gigabit connection, and wireless networks such as optical fiber are rapidly launched around the world. Multiple models operating in point-to-point and point-to-multipoint modes can provide thousands of megabits of speed up to 1.5 kilometers of communication distance. The 60 GHz millimeter wave band is very suitable for high bandwidth applications, with more than 7 GHz spectrum available for transmission (14 GHz in the United States). A narrow beam antenna can ensure the link's high security, allowing multiple devices to be co-located at the same location without self-interference. MetroLinq products are ideal for urban, suburban and rural environments, with applications ranging from enterprises to residential customers, security or government networks, and mobile or fixed operator backhaul. The innovative tri-band radio makes MetroLinq equipment more versatile, allowing the use of the same equipment for backhaul, last-mile dedicated access and even Wi-Fi access, thus simplifying the deployment of multi-purpose networks and saving space on the tower or roof. In combination with the technology of its subsidiaries, Accton has advanced the deployment of the industry, and effectively combined these technologies to jointly create more innovative applications and market opportunities to maximize the application effect and improve the overall operating efficiency.

- Number of domestic patent rights (as of March 31, 2023) : 41
- Number of domestic patent rights (as of March 31, 2023) : 88

Accton adheres to the concept of continuous innovation and improvement, and focuses 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 staff to convert their innovation ideas in the product development and optimization process into proposals, and rewards 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 idea proposals, we 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, so as to ensure that the Company's intellectual property can be effectively protected. For the effective management of 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, we conduct patent evaluations on a regular basis according to the performance of patented technologies in product application and the potential of product introduction, and decide to continue or terminate patent maintenance accordingly to ensure the effective management of Accton's patent assets and 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 pays attention to whether patent disputes are involved in the patent proposal review process, with a view to reducing product infringement risks 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 consistency in technology development, product development and patent planning.

### (3) Future R&D Plans

Accton has always taken Taiwan as an important place for innovation and technology research and development to increase investment opportunities in Taiwan by deepening technology and expanding products made in Taiwan. The establishment plan of Zhubei AI Smart Park was launched in July 2022, which is an important milestone for Accton Group to implement its deep cultivation in Taiwan. Zhubei AI Smart Park will serve as the global innovation center of the Group, become the base for new product introduction, develop innovative manufacturing processes, establish an advanced test and verification environment, and provide efficient new product introduction services for global customers. Accton also introduces new products as applications for scenarios, and uses AI, Internet of Things and big data technologies to build its own intelligent manufacturing system. We take Zhubei AI Park as the leading base, and replicate it in other production sites. We will continue to expand its global base, link global innovation forces from Taiwan, develop global market opportunities, let the world see Accton, and become the best partner of global enterprises to establish a sustainable and mutually beneficial partnership.

In the post-COVID-19 era, with the slowdown of the pandemic, industry and life have gradually returned to normal, but their appearance and nature have changed. In the face of the changing global market, Accton actively participates in the operation and cooperation of the open technology development platform, and promotes the global network technology transformation in different forms. Looking forward to 2023, Accton cautiously and optimistically looks at the development prospects of the industrial market. Accton will continue to deploy 5G infrastructure in the future, including open architecture related products and open network operating systems and hardware devices, and the application areas include cloud data centers, enterprise network markets, telecom networks and cloud switches. We continue to upgrade and deep plough the markets of 100G/400G/800G, 5G OpenRAN, AI reasoning operation card, artificial intelligence training acceleration module and equipment, Wi-Fi 6/Wi-Fi 7, Internet of Things (IoT), edge computing, SD-WAN/uCPE software defined wide area network universal/virtual client devices, smart factories, quantum computing, and other emerging technology products in the future 6G network. With the increasing demand for services driven by the application of new technologies such as 5G, AI and metauniverse, the global data center is actively building and upgrading its equipment. The Accton R&D team will be committed to the research and development of liquid heat dissipation and co-packaging optical components to effectively reduce the energy consumption and heat dissipation of the data center, and make concerted efforts for the global environment. In the future, in terms of technology and investment layout, more emphasis will be placed on the innovative value of energy conservation and sustainability, which will be implemented in new product research and development, new production base construction and daily operation.

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

#### (1) Short-term development plans

- Increase market share by integrating 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 the backbone networks of telecom operators (TIP: Telecom Infrastructure Project).
- Actively develop the wireless network technology and products with differentiation and application prospects.

#### (2) Long-term development plan

- Continue to master the relationship between chip and software technologies, and continue to lead the open network hardware platform.
- Be continuously committed to providing professional ODM R&D and production services (be a world-class outsourcing partner).
- 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/800G technologies related to Open Compute Project, and expand the cooperation with chip manufacturers/software manufacturers.
- Cooperate with telecom operators to develop advanced software-defined wide area common/virtual SD-WAN vCPE customer devices
- Actively develop wireless network technologies, products and platforms with differentiation and application prospects.
- Build a hybrid cloud-based IoT solution to link terminal application products, strive to reduce customers' operating costs and improve service quality; strive to analyze user behavior patterns based on the analysis of 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 key products

Accton's major products are enterprise-grade and telecom-grade 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 key products in the last two years are as follows:

Destination	Year	2021 (%)	2022 (%)
Domestic		1	1
International		99	99
A. America		60	66
B. Europe		21	18
C. Asia Pacific region		18	15

#### (2) Market Share

- a. The market research institute Dell'Oro Group said that the revenue from 50 global data center switches in the third quarter grew 20% from the same period in 2021. Arista, Huawei, Juniper and white-brand switch manufacturers all made profits, and Arista accounted for more than 6% of the market revenue. With the improvement of the supply chain environment, there have been more shipments of orders, and the port shipments showed double-digit growth in the third quarter. However, China's cloud data centers and enterprise data center market made significant spending cuts in the third quarter. Server architecture changes that followed drove data centers to make long-term investments. Dell'Oro Group preliminarily estimates that the expenditure of large-scale data centers will grow by 28% in 2022. As reported by IDC, Ethernet switches in the third quarter of 2022, including non-data center switches, grew 23.9% from that of the same period in 2021, and the revenue reached USD10 billion. Cisco accounted for 43.8% of the global switch revenue, Huawei 11.1%, Arista Networks 9.7%, H3C 5.4% and HPE 4.8%.
- b. Dell'Oro Group pointed out that the router market revenue of network service providers will grow by 3% in 2022. The upgrade of the global IP backbone network has driven the demand for 400 Gbps routers, and the shipment volume of 400 Gbps router ports has increased by three digits compared with the previous year. In 2022, the demand for core routers declined slightly, and it is speculated that the service providers delayed their orders to wait for the release of the latest ASIC chips. Edge routers and aggregation switches have grown strongly. The new ASIC can support 400 Gbps connections. Telecom service providers continue to invest in 5G RAN, expand their mobile transmission capacity, and increase their home broadband deployment; these contribute to the revenues of edge routers and convergence switches. According to IDC, the router market for global enterprises and service providers in the third quarter of 2022 grew by 5.6% compared with the same period in 2021. In the third quarter, Cisco accounted for 37% of the market, Huawei 24.9%, Arista 9.7% and H3C 2%.
- c. Dell'Oro said that although the wireless area network market is limited by the supply chain bottleneck in 2022, there will still be a large number of wireless network equipment shipments, reaching the USD9 billion threshold in the year. The revenue in the third quarter of 2022 was 32% higher than that of the same period of the previous year. The massive deployment of Wi-Fi 6 has driven up prices as well as revenue. Huawei has deployed in new markets and increased the shipment of regional wireless networks, and the unit price of its products has declined accordingly. Manufacturers outside China, such as HPE Aruba and Ubiquiti, accounted for the largest growth in their unit shipments.

### (3) Future market supply and demand and growth

#### a. Data center switches

Dell'Oro pointed out that the revenue growth of the data center switch market will slow down in 2023, but will grow at a compound annual growth rate of nearly double digits by 2027. The accumulated expenditure in the next five years will exceed USD100 billion. By 2027, cloud service providers are estimated to contribute about 60% of the sales to this market, significantly promoting the use of 400 Gbps, 800 Gbps and 1600 Gbps speed switches. 800 Gbps switches are expected to surpass 400 Gbps switches by 2025. It is estimated that by 2027, the use of the SONIC open network operating system will account for 10% to 20% of large enterprises and tier 2/3 cloud service providers.

#### b. Routers and switches for Internet service providers

Although the economic conditions of the overall environment will deteriorate in 2023, Dell'Oro Group predicts that the router market for global network service providers will grow by 2%. The volume of 400Gbps router port shipments is expected to have a 3-digit growth. However, in 2023, the deployment of mobile backhaul and RAN in China is expected to slow down, which will affect the growth of edge routers and convergence switches.

#### c. Enterprise Wireless LANs

According to Dell'Oro's estimate, the wireless area network market will grow 12% in 2023 from the previous year. The manufacturers will ship the backlogged products, and system integrators and enterprise users will start to install new products. It is expected that the shipment will slow down in 2024 and resume its growth after 2025. The first batch of enterprise-class 802.11be (Wi-Fi 7) wireless base stations are expected to be shipped by the end of 2023. The growth rate of the wireless regional network market in the Asia-Pacific region is faster than that in other regions. Public cloud WLAN solutions will grow faster than the entire market, with a compound annual growth rate of 10% between 2022 and 2027.

### (4) Competitive advantages, favorable and unfavorable factors for future development, and countermeasures

#### a. Competitive advantages

- Accton has a strong research and development team which has long-term cooperation with international Netcom chip manufacturers.
- Accton has the ability to develop modular software platforms which greatly shorten the product development schedule.
- In terms of dedicated 10G/40G/100G/400G switches for open network centers, 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.
- We firstly proposed to provide solutions for the wireless network architecture of open network enterprises and for SDN software industry alliances.
- We have strategic alliance with software giants of open network to provide the design with a high efficiency and high reliability for the flexible use of new data centers. In view of TIP (Telecom Infrastructure Project), the Open Telecommunications Architecture Alliance proposed the Cassini 100G fiber optic switch to be specially used for data transmission and service improvement among large data centers.
- Accton has a number of network software patents for network management systems and drivers, giving added value to products.
- We also has technology development capabilities for wireless and cable products, and are a world-famous enterprise with cross-platform research and development capabilities.
- All our major customers are leading international manufacturers, and we have a good long-term interactive relationship with customers which helps our understanding of the market direction.
- Accton has a good partnership with upstream and downstream suppliers, so we can actively control the sources of raw materials and effectively reduce costs.
- We have strategic alliance partners all over the world to effectively use the capacity, technical team and human resources of each unit.
- We have passed the quality certifications of ISO 9001, ISO 14000 and TL 9000, and the certifications of many international large factories to improve the quality and strengthen our OEM competitiveness.
- We can provide customers with 24/7 real-time technical support and services through the online network information system.

#### b. Development prospect

##### (a) Favorable factors:

- The growth momentum of the telecommunications industry continues to expand: With the sharp jump in mobile device shipments, the commercial operation of the 4G communication technology LTE and 5G, and the introduction of cloud computing, the value-added services of the telecom industry tend to diversify, and the revenue of devices and large architectures with application service tie-in is expected to increase year by year. At the same time, in response to the open network trend, the telecom industry has also begun to test and evaluate the possibility of adding open network hardware and software.
- Market potential of enterprise-level wired and wireless networks: Enterprises attach importance to information security and effective mass data transmission in their demands for switches, and 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 leading international brands, and is able to grasp brand customers' demands 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 the dual business modes of OEM and private brand, Accton localizes custom service in the global market according to the front end user's demands; in addition, with the trend of the wireless enterprise network environment, both the management room end and the access application end are adjusted in line with mobility and virtualization requirements. The development and design of Accton's radio frequency (RF) are independently researched and developed (in-house). The Company has a rare perfect test center in Taiwan, which is highly competitive in technology and the market.
- As the demand for mobile broadband applications continues to rise, the popularity of high and low-level mobile phones and various applications have created 4G /LTE infrastructure and carrier-grade Wi-Fi wireless hot spot devices, which drive the demand for the upgrade of related products. With APPs which have various high bandwidth requirements, we can predict the future demand for indoor and outdoor enterprise and telecom grade 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 units have the networking function. Among them, portable multimedia mobile devices and IPTV, which combine the four major functions of voice, data, video and mobile APP still have a high demand for the broadband for fixed network and mobile Internet, and are expected to drive the investment of telecom operators in infrastructure, such as data center switches and wireless access equipment (AP).
- The concepts of smart city and machine to machine are gradually attracting the attention of 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 demand from intelligent energy-saving lighting systems, intelligent safety environmental control systems and intelligent care systems 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 the face of various new services and the demand for big data, in recent years, new value chains and new technologies have also deconstructed the industrial value and driven the development of new software, such as the business model of white box data center, which has impacted the original ecological architecture, and the alliance between Accton and open-architecture software manufacturers helps to grasp the niche market.

(b) Unfavorable factors and countermeasures:

- Industry competition is intense, and gross profit rate is gradually compressed.

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-stop 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, we must be more actively committed to the work of taking root in technology to establish the entry threshold and expand the scope of business. As the design and development work of chip manufacturers becomes more perfect, it also urges the assembly manufacturers with a higher manufacturing scale to participate and share the market.

- The technology of open networking switch products becomes more and more mature, and attracts other server/storage vendors to the market, thus improving market competition and affecting the gross margin. The countermeasure is to strengthen the cooperation with the upper-layer software manufacturers, and quickly replicate the application in other emerging markets in Europe and vertical markets, and strengthen the depth of business and operation in regional markets through private-brand subsidiaries.

(II) Important applications and production processes of key products:

(1) Important applications of key 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 powered (PoE) switch provides the access-point (AP) power supply for wireless base stations to solve the problem of setting up power supply for wireless base stations.

c. Wireless solutions

These include wireless base stations, wireless gateways, fixed wireless access (FWA) and other products, which provide users with wireless internet interface and equipment through IEEE 802.11a/b/g/n/ac/ax/be, LTE and BLE/Zigbee/Thread/Matter and other standards.

d. 5G CSR/DCSG

The DCSG disaggregated mobile base station backhaul router will comply with the TIP DCSG specification, and be used for deployment of mobile base stations to support existing mobile base stations and the new planned 5G base stations, as well as provide 25GbE backhaul uplink. Like all open network products, DCSG offers support for a series of commercial and open source software, providing network operators with a variety of platform options.

e. Broadband access

This includes disconnect-type GPON/XGS-PON OLT.

f. The 10G intelligent high-speed network card

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

g. The IoT solution

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

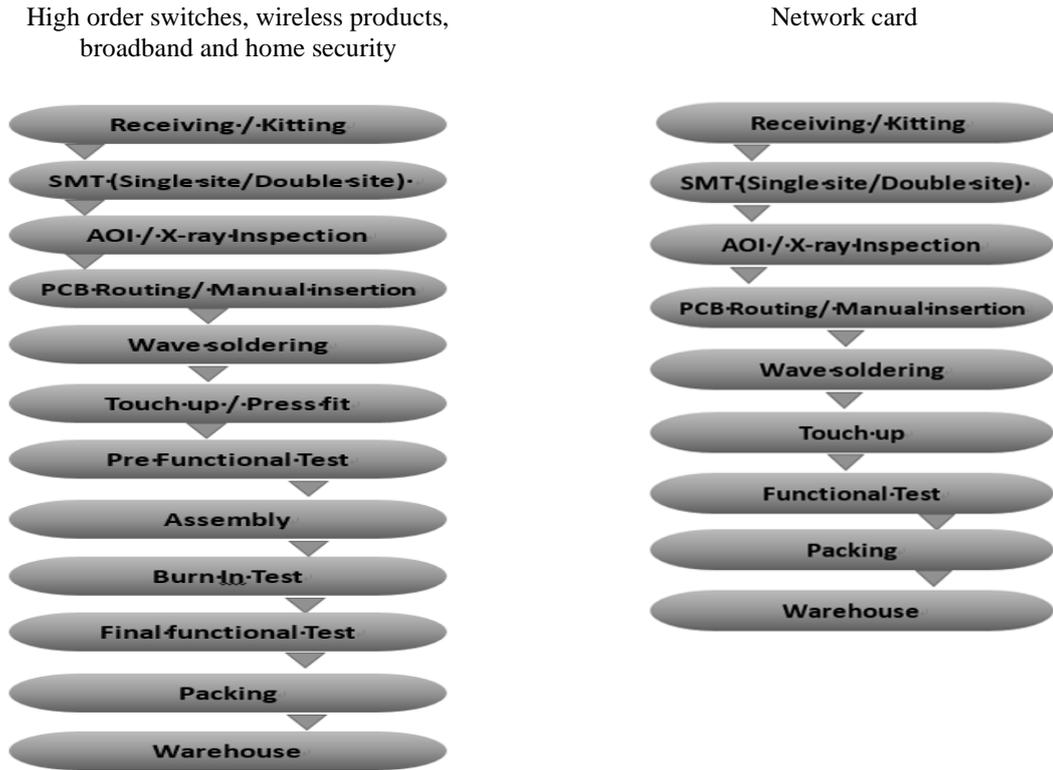
h. mmWave Solutions

We provide gigabit-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 defined 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 WLANs. Therefore, expensive private WAN technologies such as MPLS or private lines can be replaced fully or partially. Service providers can provide new services quickly upon request by using virtual/universal CPE and 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 key raw materials

The global economy still faces many uncertainties due to the pandemic, geopolitical tensions, inflation and Sino-US technological competition, which may inhibit the impact of supply growth. For example, the insufficient supply of key components continues to exist.

In addition, in response to the continuation of the United States tariff policy, Accton has not only continued improving Taiwan's production capacity but also evaluated and invested in Vietnam to establish a production base in response to the increase of orders and the avoidance of geopolitical risks.

With the continuous increase in the vaccination rate of COVID-19, the market expects a global economic recovery. Moreover, Accton can provide 12-to-18 month 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 thus limited. For key components, in addition to keeping the original suppliers, at least two suppliers are maintained for product delivery to ensure no uncertainty in mass production.

1. Continue to request raw materials to be 100% compliant with the Restriction of Hazardous Substances (ROHS) 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 holds a supplier conference every year (suspended due to the COVID-19 pandemic in 2022) to announce the green product trend and regulatory requirements to suppliers, in order to further strengthen suppliers' emphasis on environmental protection requirements. Accton's approach is to do a good job of source management to reduce risks. Improving global warming is an extremely important issue for the environment, and Accton works with suppliers to contribute to the earth.
2. Work closely with suppliers to integrate the supply of components from multiple parties, and maintain over two suppliers from the NPI stage, so as to effectively stabilize the supply and reduce the risk of material shortage. In order to stabilize the supply source of key raw materials and enhance the advantage in the procurement of materials, the following measures are implemented, so as to effectively stabilize the supply and reduce the risk of material shortage:
  - 2.1 Strengthen procurement capabilities, establish a sound and long-term cooperation with suppliers, and jointly develop new technologies for components, so as to strengthen the mutual reliance.
  - 2.2 In order to ensure that the suppliers' production schedule can meet Accton's needs, regularly review the suppliers very year to ensure their supply capacity and quality.

- 2.3 Regularly review suppliers' product quality, delivery accuracy, cost and service performance, and use the results as the reference 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. Continuously optimize the Supply Chain Management (SCM) cloud system and establish an information network with suppliers, and timely grasp the material inventory status for continuous optimization and the management of future demand, so as to achieve the goal of reducing inventory management costs and reducing the loss from deadstock. Have the VMI inventory management tasks performed by suppliers to shorten the lead time for the procurement of raw materials. Conduct inventory management through VMI mechanism, continuously deepen the cooperation relationship with suppliers, reduce the inventory backlog in the overall supply chain, increase capital flow, improve operation flexibility, and cooperate with suppliers for a safe inventory mechanism to improve the Company's competitive advantage.
4. Use intelligent and automated equipment to optimize the process from design to manufacturing, use the most advanced manufacturing equipment, and use billboard management, monitoring systems, analysis centers and training centers to improve operational flexibility.
5. Use the cloud big data technology to improve computing power, push the information to suppliers in real time, cooperate in the improvement of procurement, warehousing 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

2021				2022				Current year as of March 31, 2023			
Name	Amount	Proportion (%) in Net Annual Purchase Amount	Relation with Issuer	Name	Amount	Proportion (%) in Net Annual Purchase Amount	Relation With Issuer	Name	Amount	Ratio (%) in Net Purchases for Current Year Up to the Previous Quarter	Relation with Issuer
A	5,848,186	11.6%	None	A	6,724,258	13.4%	None	A	1,449,329	8.8%	None
Others	44,735,781	88.4%	None	Others	43,449,497	86.6%	None	Others	15,029,518	91.2%	None
Net sales	50,583,967	100.0%		Net sales	50,173,755	100%		Net sales	16,478,847	100.0%	

2. Profile of Major Customers

Unit: NT\$ thousand

2021				2022				Current year as of March 31, 2023			
Name	Amount	Proportion (%) in Net Annual Sales	Relation with Issuer	Name	Amount	Proportion (%) in Net Annual Sales	Relation with Issuer	Name	Amount	Ratio (%) in Net Sales for Current Year Up to the Previous Quarter	Relation with Issuer
A	9,784,471	16%	None	A	18,665,329	24%	None	A	3,995,860	20%	None
B	7,158,540	12%	None	B	10,675,252	14%	None	B	3,918,042	20%	None
C	6,446,615	11%	None	C	7,981,973	10%	None	C	3,175,375	16%	None
D	5,894,293	10%	None	D	7,486,714	10%	None	D	1,600,247	8%	None
Others	30,314,762	51%	None	Others	32,395,955	42%	None	Others	6,996,064	36%	None
Net sales	59,598,681	100%		Net sales	77,205,223	100%		Net sales	19,685,588	100%	

## (V) Production volumes/values over the past two years

Year Capacity and Output Value Main Commodities (or Type)	Unit: Thousand/Pcs(EA)					
	2021			2022		
	Capacity	Output	Output Value	Capacity	Output	Output Value
Network switches	2,999,629	2,892,167	30,382,028	3,418,254	3,321,449	44,592,230
Network application equipment	3,642,287	3,461,999	10,676,960	4,710,409	4,475,329	17,237,581
Network access equipment	551,785	529,402	5,163,746	430,767	413,851	5,366,532
Wireless network equipment	572,846	553,760	792,459	643,361	631,717	943,476
Others	—	—	47,528	—	—	90,899
<b>Total</b>	<b>7,766,547</b>	<b>7,437,328</b>	<b>47,062,721</b>	<b>9,202,791</b>	<b>8,842,346</b>	<b>68,230,718</b>

## (VI) Sales volumes/values over the past two years

Year Sales Volume & Amount Main Commodities (or Type)	Unit: Thousand/Pcs(EA)							
	2021				2022			
	Domestic Sales		Overseas Sales		Domestic Sales		Overseas Sales	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Network switches	2,942	18,020	2,894,312	37,485,988	12,254	101,725	2,932,958	45,419,521
Network application equipment	772	5,720	3,418,919	11,487,553	4,677	74,558	8,575,775	20,397,651
Network access equipment	13,836	71,671	537,923	7,292,891	654	20,490	385,218	7,084,363
Wireless network equipment	11,944	7,605	527,320	954,395	8,762	11,683	629,471	1,202,175
Others	—	81,897	—	2,192,941	—	333,065	—	2,559,992
<b>Total</b>	<b>29,494</b>	<b>184,913</b>	<b>7,378,474</b>	<b>59,413,768</b>	<b>26,347</b>	<b>541,521</b>	<b>12,523,422</b>	<b>76,663,702</b>

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

Year		2021	2022	Current Year as of March 31, 2023
Number of Employees	Manager or above	343	433	415
	Engineer	1,199	1,231	1,299
	Operator	1,413	1,561	1,528
Total		2,955	3,225	3,242
Average Age		36.99	37.12	37.25
Average Length of Service		5.26	5.39	5.53
Ratio of Academic Degree	Doctors	0.20	0.25	0.25
	Masters	17.87	17.98	18.38
	University/College	42.40	42.60	42.94
		21.25	19.66	19.03
	High school	15.87	17.00	16.78
	Below Senior High School	2.40	2.51	2.62

IV. Information on Environmental Protection Expenditure

- (I) The total amount of losses (including compensation and environmental protection audit results that violate environmental protection regulations, sanction date, sanction code, regulatory provisions that were violated, details of the regulatory violation, and sanction details) due to environment pollution in 2022 as of the date of publication of the Annual Report, and please indicate the estimated amounts likely incurred now and in the future and the countermeasures to be taken; if it is impossible to provide reasonable estimates, facts of why reasonable estimates are impossible shall be specified:

Date of Disposal	November 18, 2022
Disposal Document No.	Hsinchu Environment and Air No. 1118662125.
Regulatory Article Involved in the Violation	Article 23 Paragraph 2 of the Air Pollution Control Act.
Description of Violation	Construction began without effective air pollution control measures in place throughout the construction period, which is in violation of the requirements in Articles 6 and 8 of the Management Regulations for Construction Project Air Pollution Control Facilities. Article 6 of the Management Regulations: The height of the fence does not meet construction engineering requirements or the type does not requirements. The fence set up surrounding the construction site does not cover the whole construction areas. Article 8 of the Management Regulations: Control installations for the vehicle route within a Class 1 construction site falls short of 80%.
Information about the Disposal	A fine of NTD 100,000 only.
Countermeasures	The contract builder for the site in Zhubei corrected immediately and has been informed of the fact that equivalent alternatives shall be submitted to and may only be adopted following approval from the competent authority upon failure to adopt control measures for the project. No environmental pollutions incidents occurred on the other premises.

- (II) Countermeasures

The company's production and business activities 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	2021	2022
Annual CO2 Emission	42,026 metric tons	40,029 metric tons
Explanation: The Company implements the greenhouse gas reduction every year, the major manufacturing area dropped by 4.75% in 2022 compared to 2021 and the Company will continue to work for the goal of greenhouse gas reduction.		

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

- (1) Fully utilize electronic signing and approving procedures to reduce paper usage.
  - (2) Strictly manage the demands for power, as well as the lighting and air conditioning in unused 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 system of the basement.
  - (5) Update the air conditioning equipment with high energy consumption in different areas to increase energy efficiency and reduce loss.
  - (6) Increase the air-conditioning temperature and duration of use in offices and public areas.
  - (7) Improve the process to minimize energy consumption throughout the production process.
  - (8) 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.
- (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 2022, the main production bases, including Hsinchu No. 1 Factory, Hsinchu No. 2 Factory, and Zhunan Factory, had a total output of 1,609 metric tons of industrial waste, and a total of 1,413 metric tons of recyclable waste, with a recycling rate of 87.8%; 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; Perform external verification of periodic checking every year according to the procedures. The ISO 14001 investigation for the year was completed in June 2022; the Certificate is effective from July 2022 to July 2025.
  - (2) The Company was authenticated by the qualifying body, Bureau Veritas, and completed the ISO 14064-1: 2018 Organisational Greenhouse Gas Inventory Management System authentication for 2022 in February 2023; related information is disclosed after the inventory check each year.

## V. Labor-Management 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, Accton 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. Benefits and Their Implementation Status

- (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 from 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, prevention against occupational hazards and periodic health exams provided by occupational medicine specialists and professional nurses as well as various health and arts and cultural workshops, among others, to help manage the health of its staff.
- (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, contractors, relaxation workshops for employees and workshops on life issues, Accton 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 the 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 married, and the employees of the company married to 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 is a self-owned staff restaurant and coffee shop, and exclusive leisure time room for employees to have sports during rest time or after work.
- (6) In order to care for employees, Accton will give warm care to any employee who is unable to work due to material sickness or injuries suffered by him/her that he/she may apply for leave for maximum 1 year with the post and salary to be kept.

#### 2. Implementation of Staff Further Reeducation and Talents Training and Development

The Company values talent development and nurturing. Besides project-based learning opportunities, courses are organized by the Company for its staff. Training programs include six categories: new employees, specialty, work efficiency, quality, environmental safety and management. Actively cultivate internal lecturers to build the learning organizational culture. Set up the dedicated training classroom - "Accton College" to offer physical courses. Optimize and upgrade the "LMS Online Learning Management System" to provide a faster, more convenient, and enriched 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 2022, relevant training for at least 11 projects were arranged, and the completion rate was 100%. Please refer to Page 30. 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 Status

As is required by the Labor Standards Act, the Company has the Employee Retirement Guidelines in place and periodically sets aside the pension fund under the old system and deposits it in the Labor Retirement Reserve Fund of the Bank of Taiwan. The Labor Retirement Reserve Supervisory Committee is responsible for managing and utilizing the retirement reserve. 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-management Negotiation

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](mailto: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) Losses suffered because of labor-management disputes in the past year up to the date the Annual Report was printed (including violations of the Labor Standards Act with labor inspection findings; the date of punishment, punishment number, article of the law or regulation violated, description of the violation, and the punishment shall be specified) and disclose estimated values now and likely incurred in the future and countermeasures. If reasonable estimates are impossible, state the facts why they cannot be reasonably estimated: None.

## VI. Information and Communication Security Management:

(I) It describes the information and communication security risk management framework, information and communication security policies, specific management plans, and resources invested in information and communication 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(Number of People: 3).
- In 2021~2023, it has continued to expand the recruitment of information security talent and improve the company's information security protection capabilities through internal and external awareness and technology multi-channel educational trainings to reduce risks of information security incidents for the Company and its customers (Number of people hired in 2022: 5; it is planned to be expanded to 7 in 2023).



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 in daily work.
- (4) A 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 occurring to the rights and interests of related (interested) parties due to information security accidents, response shall be made and handled appropriately.

2022 Goals	2022 Actual Performance	Short term goals (2023-2024)	Med-to-long-term goals (2025-2027)
<ul style="list-style-type: none"> <li>➤ It continues to validate the effectiveness of ISO 27001 Information Security Management Systems (Accton).</li> <li>➤ The number of information security incidents that disrupted operations due to hacker attacks or virus infections was 0.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Reassessment and renewal of certification once every three years occurred in 2022 for the ISO27001 Information Security Management System.</li> <li>➤ The number of information security incidents that disrupted operations due to hacker attacks or virus infections was 0.</li> </ul>	<ul style="list-style-type: none"> <li>➤ It continues to validate the effectiveness of ISO 27001 Information Security Management Systems (Accton).</li> <li>➤ The number of information security incidents that disrupted operations due to hacker attacks or virus infections was 0.</li> </ul>	<ul style="list-style-type: none"> <li>➤ It continues to validate the effectiveness of ISO 27001 Information Security Management Systems (Accton).</li> <li>➤ Approved in the customer information security audit, without major deficiencies.</li> </ul>

**Specific measures:**

Accton Technology Corporation passed the international standard certification of CNS 27001: 2014 (ISO/IEC 27001: 2013) in 2016, was qualified for the persistent validity of its information security policy and control in 2022, and was approved upon reassessment for renewal of its certificate once every three years; the certificate is valid through January 2, 2026. Red teaming is applied to explore and get to know the safety status of the tested system setting, to find out factors that may threaten the information data security of the system tested, to keep track of safety issues, and to provide with corrective methods and suggestions on routes that intruders may take advantage of. Professional evaluations and suggestions are provided on the safety of internal system hosts and complete system safety evaluations are performed to hopefully reinforce the security of the target being tested.

**Reinforced dimensions of information security:**

Corporate information security maturity evaluation: Information security is examined applying the SECPAAS corporate information security rating tool; the examination covers the five major capabilities, namely, identification, defense, detection, response, and recovery. Results from the rating questionnaire this year show that Accton scored 91.30 points in total and is rated as A as a whole.

Internal corporate information security management system regulations: Accton already introduced the ISO 27001 standard. It helps with the information assets inventory check, risk analysis, preparation of the Risk Management Plan, organization of the quarterly “Information Security Management Review Meeting”, and management of information security incidents so that the information process is even more thorough in terms of its management and the operational risk may be reduced.

Reinforced/Joint Defense over Information Security of the Supply Chain: Reinforce information security risk management and supply chain information security management so that information security risk of the supply chain may be more quickly kept track of. The Company is also part of the “Information Security Information Sharing and Analysis Center” (SP-ISAC) of the Science Park to hopefully share intelligence about information security through investigation and analysis and to connect

with the world in information security technologies that help keep track of the latest attacks and respond to them, realizing pre-warnings and contributing to a trustworthy ecosystem with jointly enhanced industrial information security.

As for the reinforcement of the Company's own defense mechanism, besides preparing and enforcing various network safety policies, communications from time to time through case sharing, 18 articles in total, are adopted to build and enhance the awareness about information security among employees. Meanwhile, the zero trust mechanism is activated. That is, with "never trust and always qualify" at the core, the access to all data is subject to qualification to ensure in the strictest way that the IT system is not damaged.

Cyber training courses		Number of attendance	Hours of Education
Accton new recruit cyber security training	In 2022, new employees received cyber security training courses	299	0.5
JoyTech new recruit cyber security training		428	1.5
Accton supervisors cyber security training	In 2022, supervisors on active duty completed annual cyber security physical education and training courses, and the important content includes: Next Generation Network Security	161	1.5

Cyber training courses		Practice time	Number of attendance
Accton social engineering drills	In 2022, 4 email social engineering phishing walkthroughs were performed, and more than 3,000 people practiced.	Jan-22	2,397
		Apr-22	2,410
		Jul-22	2,428
		Oct-22	2,472
Joytech social engineering drills		Jan-22	622
		Apr-22	630
		Jul-22	627
		Oct-22	602

(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 information and communication 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: In 2022 to date, there has been no loss due to major information and communication security incidents.

## VII. Important Contract

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

Year/Item		Financial Information of the Most Recent Five Years					Financial Information of Current Year as of March 31, 2023	
		2018	2019	2020	2021	2022	Unit: NT\$ thousand	
Current Assets		20,873,566	27,048,534	28,440,301	31,782,233	41,882,761	41,778,044	
Property, Plant and Equipment		966,604	1,324,280	1,502,317	1,487,456	1,804,418	1,911,455	
Intangible Assets		34,402	53,527	74,442	107,351	165,985	154,155	
Other Assets		503,755	1,094,746	1,105,909	1,644,329	2,207,645	2,154,239	
Total Assets		22,378,327	29,521,087	31,122,969	35,021,369	46,060,809	45,997,893	
Current Liabilities	Before Distribution	12,068,256	15,237,848	14,831,457	17,643,456	21,567,677	21,273,990	
	After Distribution	14,298,940	18,700,581	18,467,995	21,003,032	Not distributed yet	Not distributed yet	
Non-current Liabilities		31,475	1,480,262	1,808,439	1,824,962	4,064,971	2,189,026	
Total liabilities	Before Distribution	12,099,731	16,718,110	16,639,896	19,468,418	25,632,648	23,463,016	
	After Distribution	14,330,415	20,180,843	20,276,434	22,827,994	Not distributed yet	Not distributed yet	
Equities attributable to the owner of the parent company		10,271,902	12,800,387	14,480,340	15,552,951	20,428,161	22,534,877	
Share Capital		5,575,899	5,580,514	5,594,564	5,599,204	5,601,399	5,601,589	
Capital Reserve		795,148	805,715	824,883	843,580	857,568	857,627	
Retained Earnings	Before Distribution	4,259,345	7,003,401	8,585,113	9,655,707	14,482,209	16,520,208	
	After Distribution	2,028,661	3,540,668	4,948,575	6,296,131	Not distributed yet	Not distributed yet	
Other Equity		(307,491)	(538,244)	(473,221)	(494,541)	(462,016)	(393,548)	
Treasury Stock		(50,999)	(50,999)	(50,999)	(50,999)	(50,999)	(50,999)	
Non-controlling Equity		6,694	2,590	2,733	—	—	—	
Total Equity	Before Distribution	10,278,596	12,802,977	14,483,073	15,552,951	20,428,161	22,534,877	
	After Distribution	8,047,912	9,340,244	10,846,535	12,193,375	Not distributed yet	Not distributed yet	

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

Note 2: At present, the General Shareholders' Meeting is yet to be held to decide the distribution of earnings of 2022.

## 2. Condensed Comprehensive Income Statement

Unit: NT\$ thousand

Year/Item	Financial Information of the Most Recent Five Years					Financial Information of Current Year as of March 31, 2023
	2018	2019	2020	2021	2022	
Operating Revenue	43,092,155	55,401,047	54,462,872	59,598,681	77,205,223	19,685,588
Gross Profit	7,780,097	10,998,762	11,554,062	11,344,596	16,518,262	4,311,242
Operating Income (Loss)	3,472,708	6,039,983	6,402,663	5,440,726	9,632,608	2,586,195
Non-operating Income and Expenses	225,031	89,662	(189,768)	290,425	643,315	(46,956)
Net Profit Before Tax	3,697,739	6,129,645	6,212,895	5,731,151	10,275,923	2,539,239
Current Net Profit from Continuing Operations	2,952,181	4,949,572	5,048,640	4,705,058	8,165,812	2,037,165
Loss on Discontinued Operations	—	—	—	—	—	—
Net Profit (Loss) for the Period	2,952,181	4,949,572	5,048,640	4,705,058	8,165,812	2,037,165
Other Comprehensive Income (Net Value After Tax) for the Period	(74,110)	(209,689)	60,972	(19,247)	52,791	69,302
Total Comprehensive Income for the Period	2,878,071	4,739,883	5,109,612	4,685,811	8,218,603	2,106,467
Net Profit Attributable to Owners of Parent Companies	2,952,449	4,950,495	5,048,353	4,705,059	8,165,812	2,037,165
Net profit Attributable to Non-controlling Interests	(268)	(923)	287	(1)	—	—
Total Comprehensive Income Attributable to Owners of Parent Companies	2,878,151	4,743,987	5,109,469	4,685,812	8,218,603	2,106,467
Total Comprehensive Income Attributable to Non-controlling Interests	(80)	(4,104)	143	(1)	—	—
Earnings Per Share	5.33	8.91	9.07	8.44	14.64	3.65

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

Note 2: At present, the General Shareholders' Meeting is yet to be held to decide the distribution of earnings of 2022.

## (II) Stand-alone Information

## 1. Condensed Balance Sheet

Unit: NT\$ thousand

Year/Item	Financial Information of the Most Recent Five Years					
	2018	2019	2020	2021	2022	
Current Assets	16,321,680	22,132,291	24,312,700	23,668,473	35,181,182	
Property, Plant and Equipment	448,783	894,509	1,132,928	1,104,885	1,489,005	
Intangible Assets	32,385	49,263	70,933	82,552	139,524	
Other Assets	6,233,656	7,096,306	6,964,412	7,837,256	9,754,601	
Total Assets	23,036,504	30,172,369	32,480,973	32,693,166	46,564,312	
Current Liabilities	Before Distribution	12,736,445	15,945,706	16,380,230	15,500,000	22,302,677
	After Distribution	14,967,129	19,408,439	20,016,768	18,859,576	Not distributed yet
Non-current Liabilities	28,157	1,426,276	1,620,403	1,640,215	3,833,474	
Total liabilities	Before Distribution	12,764,602	17,371,982	18,000,633	17,140,215	26,136,151
	After Distribution	14,995,286	20,834,715	21,637,171	20,499,791	Not distributed yet
Share Capital	5,575,899	5,580,514	5,594,564	5,599,204	5,601,399	
Capital Reserve	795,148	805,715	824,883	843,580	857,568	
Retained Earnings	Before Distribution	4,259,345	7,003,401	8,585,113	9,655,707	14,482,209
	After Distribution	2,028,661	3,540,668	4,948,575	6,296,131	Not distributed yet
Other Equity	(307,491)	(538,244)	(473,221)	(494,541)	(462,016)	
Treasury Stock	(50,999)	(50,999)	(50,999)	(50,999)	(50,999)	
Total Equity	Before Distribution	10,271,902	12,800,387	14,480,340	15,552,951	20,428,161
	After Distribution	8,041,218	9,337,654	10,843,802	12,193,375	Not distributed yet

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

Note 2: At present, the General Shareholders' Meeting is yet to be held to decide the distribution of earnings of 2022.

## 2. Condensed Comprehensive Income Statement

Unit: NT\$ thousand

Year/Item	Financial Information of the Most Recent Five Years				
	2018	2019	2020	2021	2022
Operating Revenue	41,218,729	49,953,689	51,270,498	49,319,186	69,432,481
Gross Profit	5,500,909	8,242,831	9,466,769	8,988,218	13,484,769
Operating Income (Loss)	2,391,699	4,604,977	5,746,084	4,848,193	8,339,811
Non-operating Income and Expenses	966,940	1,196,553	359,149	743,466	1,635,669
Net Profit Before Tax	3,358,639	5,801,530	6,105,233	5,591,659	9,975,480
Current Net Profit from Continuing Operations	2,952,449	4,950,495	5,048,353	4,705,059	8,165,812
Loss on Discounted Operations	—	—	—	—	—
Net Profit (Loss) for the Period	2,952,449	4,950,495	5,048,353	4,705,059	8,165,812
Other Comprehensive Income (Net Value After Tax) for the Period	(74,298)	(206,425)	61,116	(19,247)	52,791
Total Comprehensive Income for the Period	2,878,151	4,743,987	5,109,469	4,685,812	8,218,603
EPS	5.33	8.91	9.07	8.44	14.64

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

Note 2: At present, the General Shareholders' Meeting is yet to be held to decide the distribution of earnings of 2022.

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

Year	Accounting Firm	Name of CPA	Audit 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
2022	Deloitte & Touche	Lin, Cheng-Chih Chung, Ming-Yuan	Unqualified Opinion

## II. Financial Analysis of the Most Recent Five Years

### (I) Consolidated Financial Analysis

Annual Analytical Item		Financial Analysis for the Most Recent Five Years					Current Year as of March 31, 2023
		2018	2019	2020	2021	2022	
Financial structure (%)	Debt Ratio	54.07	56.63	53.47	55.59	55.65	51.01
	Ratio of long-term funds to the property, plant and equipment ratio	1,063.37	1,036.31	1,041.49	1,113.07	1,276.51	1,218.66
Solvency %	Current Ratio	172.96	177.51	191.76	180.14	194.19	196.38
	Quick Ratio	106.70	118.94	134.13	103.85	133.28	134.33
	Interest coverage ratio	1,311.33	336.17	164.09	136.21	151.98	115.06
Operating Ability	Receivables Turnover Ratio (Times)	6.12	7.41	6.89	6.22	6.58	6.33
	Average Collection Days	59.64	49.27	52.97	58.68	55.47	57.66
	Inventory Turnover Ratio (Times)	5.20	5.37	5.08	4.50	4.66	4.79
	Payables Turnover Ratio (Times)	4.69	4.75	4.62	4.78	5.05	4.88
	Average Inventory Turnover Days	70.19	67.95	71.85	81.11	78.32	76.20
	Property, Plant and Equipment Turnover Ratio (Times)	47.01	48.37	38.54	39.87	46.91	42.38
	Total Assets Turnover Ratio (Times)	2.10	2.13	1.80	1.80	1.90	1.71
	Return on Assets (%)	14.37	19.13	16.75	14.33	20.28	17.86
Profitability	Return on Equity (%)	29.63	42.90	37.00	31.33	45.39	37.93
	Net Profit Before Tax to Paid-up Capital Ratio (%)	66.32	109.84	111.05	102.36	183.45	181.32
	Net Profit Ratio (%)	6.85	8.94	9.27	7.89	10.58	10.35
	Earnings Per Share (NT\$)	5.33	8.91	9.07	8.44	14.64	3.65
	Cash Flow Ratio (%)	17.03	56.51	23.41	7.75	45.08	18.45
Cash Flow	Cash Flow Adequacy Ratio (%)	34.46	51.81	35.84	23.99	37.82	42.70
	Cash Flow Reinvestment Ratio (%)	(1.91)	37.63	0.12	(10.92)	22.62	13.75
	Operating Leverage	2.13	1.83	1.89	2.14	1.78	1.77
Leverage	Financial Leverage	1.00	1.00	1.01	1.01	1.01	1.01

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

1. Increased quick ratio: it is the result of cash inflows from growing revenues and increased long-term borrowings upon to meet the operational demand.
2. Increased profitability: Growing revenues led to increased profitability.
3. Increased cash flow ratio, cash flow adequacy ratio and cash flow reinvestment ratio: It is the result of increased cash inflows from growing revenues.

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

Annual Analytical Item		Financial Analysis for the Most Recent Five Years				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt Ratio	55.41	57.58	55.42	52.43	56.13
	Ratio of long-term funds to the property, plant and equipment ratio	2,288.83	1,533.92	1,380.83	1,498.47	1,546.91
Solvency %	Current Ratio	128.15	138.80	148.43	152.70	157.74
	Quick Ratio	98.51	106.38	114.37	85.87	111.62
	Interest coverage ratio	1,192.85	440.08	214.21	179.74	181.91
Operating Ability	Receivables Turnover Ratio (Times)	5.45	5.88	5.47	4.86	6.15
	Average Collection Days	66.99	62.09	66.77	75.10	59.35
	Inventory Turnover Ratio (Times)	10.65	9.58	7.93	5.20	5.52
	Payables Turnover Ratio (Times)	3.73	3.77	3.66	3.80	4.49
	Average Inventory Turnover Days	34.26	38.09	46.05	70.19	66.12
	Property, Plant and Equipment Turnover Ratio (Times)	96.49	74.38	50.58	44.08	53.54
	Total Assets Turnover Ratio (Times)	1.92	1.88	1.64	1.51	1.75
Profitability	Return on Assets (%)	13.80	18.65	16.19	14.52	20.72
	Return on Equity (%)	29.65	42.91	37.01	31.33	45.39
	Net Profit Before Tax to Paid-up Capital Ratio (%)	60.23	103.96	109.13	99.87	178.09
	Net Profit Ratio (%)	7.16	9.91	9.85	9.54	11.76
	Earnings Per Share (NT\$)	5.33	8.91	9.07	8.44	14.64
Cash Flow	Cash Flow Ratio (%)	16.19	46.99	18.26	0.62	46.61
	Cash Flow Adequacy Ratio (%)	44.41	54.71	36.55	24.48	38.51
	Cash Flow Reinvestment Ratio (%)	(2.10)	34.31	(2.70)	(18.75)	26.74
Leverage	Operating Leverage	1.97	1.65	1.70	1.81	1.66
	Financial Leverage	1.00	1.00	1.01	1.01	1.01

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

1. Increased quick ratio: it is the result of cash inflows from growing revenues and increased long-term borrowings upon to meet the operational demand.
2. Increased receivables turnover ratio (times) and reduced average collection days: It is the result of reinforced control over accounts for the current period.
3. Increased property, plant and equipment turnover ratio (times): Growing revenues led to increased profitability.
4. Increased profitability: Growing revenues led to increased profitability.
5. Increased cash flow ratio, cash flow adequacy ratio and cash flow reinvestment ratio: It is the result of increased cash inflows from growing revenues.

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) Liability-to-asset 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. Solvency
  - (1) Current Ratio = Current Assets/ Current Liabilities.
  - (2) Quick Ratio = (Current Assets - Inventory - Advance Payments)/Current Liabilities.

- (3) Interest Protection Multiples =  $\frac{\text{Income Tax and Net Profit before Interest/Interest Expenditure for the Current Period}}{\text{Interest Expenditure for the Current Period}}$
3. Operating Ability
- (1) Receivables (including Accounts Receivable and Notes Receivable resulting from business operations) Turnover Ratio =  $\frac{\text{Net Sales}}{\text{Average Receivables (including Accounts Receivable and Notes Receivable resulting from business operations) of Periods}}$
- (2) Average collection days =  $\frac{365}{\text{Receivables turnover ratio}}$
- (3) Inventory turnover ratio =  $\frac{\text{Sales cost}}{\text{mean inventory}}$
- (4) Payables (including Accounts Payable and Notes Payable resulting from business operations) Turnover Ratio =  $\frac{\text{Cost of Sales}}{\text{Average Payables (including Accounts Payable and Notes Payable resulting from business operations) of Periods}}$
- (5) Average sales days =  $\frac{365}{\text{Inventory turnover ratio}}$
- (6) Property, Plant, and Equipment Turnover Ratio =  $\frac{\text{Net Sales}}{\text{Average Net Property, Plant, and Equipment}}$
- (7) Total asset turnover ratio =  $\frac{\text{Net sales value}}{\text{Mean total assets}}$
4. Profitability
- (1) Return on Assets (ROA) =  $\frac{[\text{Post-tax Profit or Loss} + \text{Interest Expenses} \times (1 - \text{Tax Rate})]}{\text{Average Total Assets}}$
- (2) Return on Equity =  $\frac{\text{After-tax Income}}{\text{Mean Total Equity}}$
- (3) Net Profit Rate =  $\frac{\text{After-tax Income}}{\text{Net Sales}}$
- (4) Earnings Per Share =  $\frac{\text{Income Attributable to Owners of Parent Companies} - \text{Preference Dividend}}{\text{Weighted Average of Outstanding Shares (Note 4)}}$
5. Cash Flow
- (1) Cash Flow Ratio =  $\frac{\text{Net Cash Flow from Business Activities}}{\text{Current Liabilities}}$
- (2) Net Cash Flow Adequacy Ratio =  $\frac{\text{Net Cash Flow from Operating Activities of the Most Recent Five Years}}{(\text{Capital Expenditures} + \text{Inventory Increase} + \text{Cash Dividend}) \text{ of the Most Recent Five Years}}$
- (3) Cash Reinvestment Ratio =  $\frac{(\text{Net Cash Flow from Operating Activities} - \text{Cash Dividend})}{(\text{Gross Property, Plant and Equipment} + \text{Long-term Investment} + \text{Other Non-current Assets} + \text{Operating Capital})}$ . (Note 5)
6. Leverage:
- (1) Operating Leverage =  $\frac{(\text{Net Operating Revenue} - \text{Variable Operating Costs and Expenses})}{\text{Operating Income (Note 6)}}$
- (2) Financial Leverage =  $\frac{\text{Operating Income}}{(\text{Operating Income} - \text{Interest Expenses})}$ .

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

1. It shall be 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 in cash or transaction of treasury stock, its circulation period shall be considered in the calculation of the Weighted Average Number of Shares
3. With earnings-transferred capital increase or capital reserve-transferred capital increase, while calculating the earnings per share for the past year and half year, adjustments shall be made retroactively reflective of the capital increase ratio; there is no need to consider the issue period for the said capital increase.
4. If the preferred stock shares are accumulated shares that cannot be converted, the dividends for the specific year (distributed or not) shall be subtracted from the net profit after tax or the net loss after tax shall be added. 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 the 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 the 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 NTD10, 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 Committee's Review Report of 2022 Financial Statements

#### Accton Technology Corporation 2022 Audit Committee's Review Report

The Board of Directors has prepared and submitted Accton's 2022 business report, financial statements and earnings distribution statement, among which the financial statements were audited and completed by the appointed Deloitte & Touche, and an audit report was issued. The above-mentioned business report, financial statements and earnings distribution statement 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,

2023 General Shareholders' Meeting of Accton Technology Corporation

Convener of Audit Committee: Huang, Shu-Chie



March 9, 2023

#### 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, 2022 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Accton Technology Corporation

By



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Kuan Xin Investment Corp.  
Chairman

March 9, 2023

## **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, 2022 and 2021, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of 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, 2022. 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, 2022 are stated as follows:

#### Revenue recognition

For the year ended December 31, 2022, the Group's net operating revenue was NT\$77,205,223 thousand. Refer to Notes 4, 24 and 38 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 2021. 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.

#### **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, 2022 and 2021 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 Standards on Auditing of 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 Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

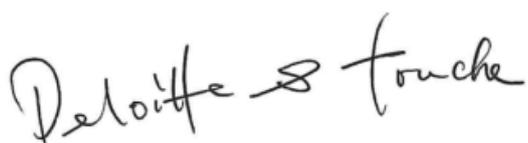
1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of 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, 2022 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.

A handwritten signature in cursive script that reads "Deloitte & Touche".

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 9, 2023

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, 2022 AND 2021  
(In Thousands of New Taiwan Dollars)

ASSETS	2022		2021		LIABILITIES AND EQUITY	2022		2021	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 4, 6 and 32)	\$ 8,695,372	19	\$ 6,257,744	18	Contract liabilities - current (Notes 4 and 24)	\$ 876,472	2	\$ 841,636	3
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 32)	218,035	-	140,012	-	Trade payables (Note 32)	12,477,718	27	11,567,228	33
Financial assets at fair value through other comprehensive income - current (Notes 4, 8 and 32)	183,224	-	250,405	1	Accrued compensation of employees and remuneration of directors (Note 25)	1,514,916	3	1,053,040	3
Financial assets at amortized cost - current (Notes 4, 9 and 32)	5,918,726	13	943,630	3	Payables to contractors and equipment suppliers	60,692	-	110,169	-
Notes and trade receivables, net (Notes 4, 5, 10, 22 and 32)	13,138,205	29	10,316,266	29	Other payables (Notes 20 and 32)	2,993,251	7	2,295,178	7
Receivables from related parties (Notes 4, 5, 32 and 33)	1,143	-	39	-	Income tax payable (Notes 4 and 26)	2,071,691	5	1,168,369	3
Other receivables (Notes 4, 10, 26 and 32)	581,505	1	405,586	1	Provisions - current (Notes 4 and 21)	264,711	1	102,430	-
Other receivables from related parties (Notes 4, 32 and 33)	9,223	-	9,078	-	Lease liabilities - current (Notes 4 and 15)	227,890	-	213,367	1
Inventories (Notes 4, 5 and 11)	12,788,108	28	13,245,641	38	Deferred revenue - current (Notes 19 and 29)	8,838	-	11,075	-
Prepayments (Notes 18 and 33)	341,067	1	195,793	1	Long-term borrowings - current portion (Notes 19, 29 and 32)	925,558	2	175,325	1
Other current assets-other	8,153	-	18,039	-	Refund liabilities - current (Note 24)	145,940	-	105,639	-
Total current assets	41,882,761	91	31,782,233	91	Total current liabilities	21,567,677	47	17,643,456	51
<b>NON-CURRENT ASSETS</b>					<b>NON-CURRENT LIABILITIES</b>				
Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 32)	108,999	-	195,145	1	Long-term borrowings (Notes 19, 29 and 32)	2,605,332	6	1,003,418	3
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 32)	22,472	-	-	-	Deferred income tax liabilities (Notes 4 and 26)	268,380	1	-	-
Investments accounted for using the equity method (Notes 4 and 13)	10,387	-	11,526	-	Lease liabilities - non-current (Notes 4 and 15)	1,167,014	2	753,927	2
Property, plant and equipment (Notes 4, 14 and 38)	1,804,418	4	1,487,456	4	Deferred revenue - non-current (Notes 19 and 29)	15,703	-	37,019	-
Right-of-use assets (Notes 4, 15 and 38)	1,641,644	4	1,069,801	3	Net defined benefit liabilities - non-current (Notes 4 and 22)	7,726	-	29,782	-
Goodwill (Notes 4, 16 and 38)	1,930	-	1,930	-	Guarantee deposits (Note 32)	816	-	816	-
Intangible assets (Notes 4, 17 and 38)	165,985	1	107,351	-	Total non-current liabilities	4,064,971	9	1,824,962	5
Deferred income tax assets (Notes 4 and 26)	151,492	-	22,531	-	Total liabilities	25,632,648	56	19,468,418	56
Prepayments for equipment (Note 38)	77,114	-	24,683	-	<b>EQUITY (Notes 4, 23 and 28)</b>				
Refundable deposits (Notes 32 and 38)	80,835	-	84,298	-	Share capital				
Other non-current assets-other (Notes 18, 34, 35 and 38)	112,772	-	234,415	1	Ordinary shares	5,601,399	12	5,599,204	16
Total non-current assets	4,178,048	9	3,239,136	9	Capital surplus	857,568	2	843,580	2
					Retained earnings				
					Legal reserve	2,818,364	6	2,347,651	7
					Special reserve	494,541	1	473,221	1
					Unappropriated earnings	11,169,304	24	6,834,835	19
					Total retained earnings	14,482,209	31	9,655,707	27
					Other equity	(462,016)	(1)	(494,541)	(1)
					Treasury shares	(50,999)	-	(50,999)	-
					Total equity	20,428,161	44	15,552,951	44
<b>TOTAL</b>	<b>\$ 46,060,809</b>	<b>100</b>	<b>\$ 35,021,369</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 46,060,809</b>	<b>100</b>	<b>\$ 35,021,369</b>	<b>100</b>

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

## ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 24, 33 and 38)	\$ 77,205,223	100	\$ 59,598,681	100
OPERATING COSTS (Notes 4, 11, 22, 25 and 33)	<u>60,686,961</u>	<u>78</u>	<u>48,254,085</u>	<u>81</u>
GROSS PROFIT	<u>16,518,262</u>	<u>22</u>	<u>11,344,596</u>	<u>19</u>
OPERATING EXPENSES (Notes 4, 10, 22, 25 and 33)				
Selling and marketing	1,840,534	2	1,603,114	3
General and administrative	2,073,295	3	1,631,076	3
Research and development	2,972,931	4	2,668,321	4
Expected credit (gain) loss	<u>(1,106)</u>	<u>-</u>	<u>1,359</u>	<u>-</u>
Total operating expenses	<u>6,885,654</u>	<u>9</u>	<u>5,903,870</u>	<u>10</u>
OPERATING INCOME	<u>9,632,608</u>	<u>13</u>	<u>5,440,726</u>	<u>9</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 13, 25 and 33)				
Interest income	179,228	-	32,470	-
Other income	99,428	-	165,543	1
Other gains and losses	433,860	1	136,425	-
Finance costs	(68,062)	-	(42,388)	-
Share of loss of associates	<u>(1,139)</u>	<u>-</u>	<u>(1,625)</u>	<u>-</u>
Total non-operating income and expenses	<u>643,315</u>	<u>1</u>	<u>290,425</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	10,275,923	14	5,731,151	10
INCOME TAX EXPENSE (Notes 4 and 26)	<u>2,110,111</u>	<u>3</u>	<u>1,026,093</u>	<u>2</u>
NET INCOME FOR THE YEAR	<u>8,165,812</u>	<u>11</u>	<u>4,705,058</u>	<u>8</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 22 and 23)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	20,266	-	(1,527)	-
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income	(89,656)	-	21,569	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>122,181</u>	<u>-</u>	<u>(39,289)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>52,791</u>	<u>-</u>	<u>(19,247)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 8,218,603</u>	<u>11</u>	<u>\$ 4,685,811</u>	<u>8</u>

(Continued)

## ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 8,165,812	11	\$ 4,705,059	8
Non-controlling interests	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>-</u>
	<u>\$ 8,165,812</u>	<u>11</u>	<u>\$ 4,705,058</u>	<u>8</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 8,218,603	11	\$ 4,685,812	8
Non-controlling interests	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>-</u>
	<u>\$ 8,218,603</u>	<u>11</u>	<u>\$ 4,685,811</u>	<u>8</u>
EARNINGS PER SHARE (Note 27)				
Basic	<u>\$ 14.64</u>		<u>\$ 8.44</u>	
Diluted	<u>\$ 14.45</u>		<u>\$ 8.36</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, 2022 AND 2021  
(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 Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
BALANCE AT JANUARY 1, 2021	\$ 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 (loss) 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
Adjustments to capital surplus due to the distribution of cash dividends to subsidiaries	-	13,256	-	-	-	-	-	-	13,256	-	13,256
Appropriation of 2021 earnings											
Legal reserve	-	-	470,713	-	(470,713)	-	-	-	-	-	-
Special reserve	-	-	-	21,320	(21,320)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(3,359,576)	-	-	-	(3,359,576)	-	(3,359,576)
Net profit for the year ended December 31, 2022	-	-	-	-	8,165,812	-	-	-	8,165,812	-	8,165,812
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	20,266	122,181	(89,656)	-	52,791	-	52,791
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	8,186,078	122,181	(89,656)	-	8,218,603	-	8,218,603
Share-based payment arrangements	2,195	732	-	-	-	-	-	-	2,927	-	2,927
BALANCE AT DECEMBER 31, 2022	\$ 5,601,399	\$ 857,568	\$ 2,818,364	\$ 494,541	\$ 11,169,304	\$ (371,447)	\$ (90,569)	\$ (50,999)	\$ 20,428,161	\$ -	\$ 20,428,161

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, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 10,275,923	\$ 5,731,151
Adjustments for:		
Depreciation expense	804,961	722,315
Amortization expense	61,693	44,203
Expected credit (gain) loss	(1,106)	1,359
Net loss (profit) on fair value changes of financial assets designated as at fair value through profit or loss	64,149	(184,106)
Finance costs	68,062	42,388
Interest income	(179,228)	(32,470)
Dividend income	(12,677)	(9,003)
Share of loss of associates	1,139	1,625
Loss (gain) on disposal of property, plant and equipment, net	2,699	(279)
Write-downs (reversal) of inventories	201,622	(40,744)
Unrealized loss (gain) on foreign currency exchange	152,175	(20,911)
Amortization of grant revenue	(8,838)	(11,075)
Gain on lease modification	(1)	(206)
Changes in operating assets and liabilities		
Notes and trade receivables, net	(2,944,220)	(1,417,174)
Receivables from related parties	(1,104)	337
Other receivables	(144,198)	(72,179)
Other receivables from related parties	(145)	737
Inventories	247,108	(5,025,875)
Prepayments	(145,274)	153,784
Other current assets	9,886	(7,066)
Contract liabilities	34,836	(113,682)
Notes and trade payables	1,027,828	2,868,543
Accrued compensation of employees and remuneration of directors	461,876	21,597
Other payables	676,560	(167,612)
Other payables to related parties	-	(1,867)
Provisions	161,939	18,130
Refund liabilities	35,779	45,038
Net defined benefit liabilities	(1,790)	(860)
Cash generated from operations	10,849,654	2,546,098
Interest paid	(54,737)	(27,105)
Income tax paid	(1,071,555)	(1,150,996)
Net cash generated from operating activities	<u>9,723,362</u>	<u>1,367,997</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	(30,290)	(46,147)
Proceeds from sale of financial assets at fair value through other comprehensive income	-	6,384
Purchase of financial assets at amortized cost	(6,241,187)	(6,948,290)

(Continued)

# ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Proceeds from sale of financial assets at amortized cost	\$ 1,163,599	\$ 9,209,660
Purchase of financial assets at fair value through profit or loss	(1,169,445)	(1,766,442)
Proceeds from sale of financial assets at fair value through profit or loss	1,118,644	4,162,496
Net cash outflow on disposal of subsidiaries	-	(4,331)
Increase in prepayments for investment	(30,039)	-
Acquisition of property, plant and equipment	(951,531)	(480,256)
Proceeds from disposal of property, plant and equipment	6,106	1,837
Decrease (increase) in refundable deposits	3,447	(18,149)
Acquisition of intangible assets	(120,087)	(77,124)
Acquisition of right-of-use assets	-	(155,000)
Increase in other financial assets	(3,318)	(32,713)
Interest received	136,933	38,829
Dividends received	<u>12,677</u>	<u>9,003</u>
Net cash (used in) generated from investing activities	<u>(6,104,491)</u>	<u>3,899,757</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	776,886	600,000
Repayments of short-term borrowings	(776,886)	(600,000)
Proceeds from long-term borrowings	2,500,000	-
Repayments of long-term borrowings	(175,325)	-
Repayments of the principal portion of lease liabilities	(263,711)	(326,763)
Dividends paid to owners of the Company	(3,346,320)	(3,622,184)
Employee share options	<u>2,927</u>	<u>6,379</u>
Net cash used in financing activities	<u>(1,282,429)</u>	<u>(3,942,568)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>		
	<u>101,186</u>	<u>38,049</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,437,628	1,363,235
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>6,257,744</u>	<u>4,894,509</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 8,695,372</u>	<u>\$ 6,257,744</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, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

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

The Company’s shares 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 9, 2023.

### 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 amendments to the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

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

Note 2: The amendments will be 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 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occurred on or after 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. The IFRSs in issue but not yet endorsed and issued into effect by the FSC

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
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
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
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, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact of the application of other standards and interpretations 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 that are measured at fair values and net defined benefit liabilities that 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 Tables 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 for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

m. Financial instruments

Financial assets and financial liabilities are recognized when 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.

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.

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 rereasurement) 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 and its economic environment implications, inflation and interest rate fluctuations 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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Cash on hand	\$ 1,476	\$ 1,271
Checking accounts and demand deposits	4,280,863	5,041,304

(Continued)

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Cash equivalents		
Time deposits with original maturities of less than 3 months	\$ 3,386,733	\$ 913,369
Repurchase agreements collateralized by bonds	<u>1,026,300</u>	<u>301,800</u>
	<u>\$ 8,695,372</u>	<u>\$ 6,257,744</u> (Concluded)

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>2022</u>	<u>2021</u>
Bank balance	0.001%-5.100%	0.001%-2.650%
Repurchase agreements collateralized by bonds	0.800%-4.700%	0.180%-0.300%

Cash and cash equivalents are assessed for impairment. The Group considers its cash and cash equivalents as low credit risk; thus, no allowance for impairment loss was recognized.

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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	<u>\$ 218,035</u>	<u>\$ 140,012</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>\$ 108,999</u>	<u>\$ 195,145</u>

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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Current</u>		
Domestic and foreign investments		
Listed shares and emerging market shares	<u>\$ 183,224</u>	<u>\$ 250,405</u>
<u>Non-current</u>		
Foreign unlisted shares	<u>\$ 22,472</u>	<u>\$ -</u>

The Group holds listed shares and emerging market shares of domestic and foreign for strategic purposes and expects to profit from the investment. 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 purposes.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Current</u>		
Time deposits with original maturity of more than 3 months	\$ <u>5,918,726</u>	\$ <u>943,630</u>

The ranges of interest rates for time deposits with original maturities of more than 3 months were 0.250%-5.340% and 0.170%-0.865% per annum as of December 31, 2022 and 2021, respectively.

Financial assets at amortized cost are assessed for impairment. The Group considers its financial assets at amortized cost as low credit risk; thus, no allowance for impairment loss was recognized.

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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Notes receivable</u>		
Notes receivable - operating	\$ <u>2,246</u>	\$ <u>235</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 13,152,234	\$ 10,333,104
Less: Allowance for impairment loss	<u>(16,275)</u>	<u>(17,073)</u>
	<u>\$ 13,135,959</u>	<u>\$ 10,316,031</u>
<u>Other receivables</u>		
At amortized cost		
Gross carrying amount	\$ 584,551	\$ 408,632
Less: Allowance for impairment loss	<u>(3,046)</u>	<u>(3,046)</u>
	<u>\$ 581,505</u>	<u>\$ 405,586</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 and its own historical transaction 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, 2022

	Not Past Due	1 to 60 Days Past Due	61 to 180 Days Past Due	Over 180 Days Past Due	Total
Gross carrying amount	\$ 12,318,136	\$ 816,067	\$ 4,432	\$ 13,599	\$ 13,152,234
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(2,242)</u>	<u>(434)</u>	<u>(13,599)</u>	<u>(16,275)</u>
Amortized cost	<u>\$ 12,318,136</u>	<u>\$ 813,825</u>	<u>\$ 3,998</u>	<u>\$ -</u>	<u>\$ 13,135,959</u>

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 ECLs)	<u>-</u>	<u>(4,964)</u>	<u>(911)</u>	<u>(11,198)</u>	<u>(17,073)</u>
Amortized cost	<u>\$ 10,027,021</u>	<u>\$ 285,787</u>	<u>\$ 3,223</u>	<u>\$ -</u>	<u>\$ 10,316,031</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ 17,073	\$ 15,812
Add: Amounts (reversed) provisioned	(1,106)	1,359
Foreign exchange gains and losses	<u>308</u>	<u>(98)</u>
Balance at December 31	<u>\$ 16,275</u>	<u>\$ 17,073</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 movements of the loss allowance of other receivables were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1 and December 31	<u>\$ 3,046</u>	<u>\$ 3,046</u>

As of December 31, 2022 and 2021, the amount of allowance losses did not include individual impairment of other receivables that were subject to risk control due to tight cash flow from customers.

## 11. INVENTORIES

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Merchandise	\$ 1,567,710	\$ 818,490
Finished goods	1,675,455	1,304,126
Work in progress	737,959	865,741
Raw materials	<u>8,806,984</u>	<u>10,257,284</u>
	<u>\$ 12,788,108</u>	<u>\$ 13,245,641</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 was \$60,686,961 thousand and \$48,254,085 thousand, respectively. The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 consisted an inventory write-down of \$201,622 thousand and a reversal of write-down of \$40,744 thousand.

## 12. SUBSIDIARIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Investor	Investee	Main Business	<b>% of Ownership</b>		Remark	
			<b>December 31</b>			
			<b>2022</b>	<b>2021</b>		
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")	Selling and marketing of 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	-	
	Vietnam Accton Technology Co., Ltd. ("Accton Vietnam")	Research, development, design, manufacture and selling of switching hubs	100	-	Note 1	
	Accton Century	Accton Asia Investments 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	100	-	
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	-	

(Continued)

Investor	Investee	Main Business	% of Ownership		Remark
			2022	2021	
Edgecore Networks	Edgecore Networks Singapore Pte. Ltd. ("Edgecore Singapore")	Selling and marketing of high-quality LAN hardware and software products	100	100	-
	Edgecore Cayman Corp. ("Edgecore Cayman")	Investment holding company	-	100	Note 2
	Edgecore Americas Networking Corp. ("Edgecore Americas")	Selling and marketing of high-quality LAN hardware and software products	100	-	Note 3
	Edgecore Networks India Pvt. Ltd. ("Edgecore India")	Research, development, design, manufacture and selling of switching hubs	100	-	Note 4
Edgecore Cayman	Edgecore Americas Networking Corp. ("Edgecore Americas")	Selling and marketing of high-quality LAN hardware and software products	-	100	Note 3

(Concluded)

Note 1: In October 2022, Accton Vietnam completed its registration of establishment.

Note 2: In September 2022, Edgecore Cayman completed its liquidation.

Note 3: In May 2022, for organizational structuring, Edgecore Networks acquired 100% of Edgecore Americas's shares which were held by Edgecore Cayman.

Note 4: In July 2022, Edgecore India completed its registration of establishment.

### 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2022	2021
Associates that are not individually material	<u>\$ 10,387</u>	<u>\$ 11,526</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	December 31	
			2022	2021
Oenix Biomed Co., Ltd.	Research and development of health care services and equipment	Taipei	40%	40%
Metalligence Technology Corp. (Note 1)	Provides e-commerce apps, information software and advertising services	Taipei	20%	20%
CheerLife Technology Corp. (Note 2)	Provides e-commerce apps, information software and advertising services	Taipei	20%	-

Note 1: Since November 2021, Metalligence Technology Corp. has been classified from being a 100% subsidiary into an associate.

Note 2: Metalligence Technology Corp., due to the operational needs, carried out organizational restructuring in 2022 to improve business performance and demerged with "CheerLife Technology Corp." on August 25, 2022, which was the record date for the demerger. In November 2022, CheerLife Technology Corp. completed the change of its registration. After the demerger, the Group held 20% shareholding of CheerLife Technology Corp.

## 14. PROPERTY, PLANT AND EQUIPMENT

### Assets used by the Group

	Buildings	Machinery and Equipment	Molding Equipment	Testing Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Construction in Progress	Total
<b>Cost</b>										
Balance at January 1, 2022	\$ 409,794	\$ 2,140,216	\$ 466,760	\$ 582,518	\$ 45,680	\$ 242,734	\$ 499,340	\$ 359,429	\$ -	\$ 4,746,471
Additions	8,813	222,866	85,463	41,609	-	19,363	20,693	32,351	418,613	849,771
Reductions	(12,543)	(69,926)	(2,087)	(7,836)	(4,194)	(14,977)	(4,861)	(12,159)	-	(128,583)
Effect of foreign currency exchange differences	-	19,374	1,299	278	110	1,472	3,836	3,945	-	30,314
Balance at December 31, 2022	<u>\$ 406,064</u>	<u>\$ 2,312,530</u>	<u>\$ 551,435</u>	<u>\$ 616,569</u>	<u>\$ 41,596</u>	<u>\$ 248,592</u>	<u>\$ 519,008</u>	<u>\$ 383,566</u>	<u>\$ 418,613</u>	<u>\$ 5,497,973</u>
<b>Accumulated depreciation</b>										
Balance at January 1, 2022	\$ 284,526	\$ 1,507,795	\$ 315,971	\$ 433,368	\$ 33,119	\$ 150,805	\$ 314,236	\$ 219,195	\$ -	\$ 3,259,015
Additions	15,399	209,967	68,889	62,671	4,104	37,044	74,418	58,028	-	530,520
Reductions	(12,543)	(62,590)	(2,492)	(7,817)	(4,185)	(14,865)	(3,975)	(11,311)	-	(119,778)
Effect of foreign currency exchange differences	-	16,114	1,118	118	67	1,218	2,970	2,193	-	23,798
Balance at December 31, 2022	<u>\$ 287,382</u>	<u>\$ 1,671,286</u>	<u>\$ 383,486</u>	<u>\$ 488,340</u>	<u>\$ 33,105</u>	<u>\$ 174,202</u>	<u>\$ 387,649</u>	<u>\$ 268,105</u>	<u>\$ -</u>	<u>\$ 3,693,555</u>
Carrying amount at December 31, 2022	<u>\$ 118,682</u>	<u>\$ 641,244</u>	<u>\$ 167,949</u>	<u>\$ 128,229</u>	<u>\$ 8,491</u>	<u>\$ 74,390</u>	<u>\$ 131,359</u>	<u>\$ 115,461</u>	<u>\$ 418,613</u>	<u>\$ 1,804,418</u>
<b>Cost</b>										
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>\$ -</u>	<u>\$ 4,746,471</u>
<b>Accumulated depreciation</b>										
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>\$ -</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>\$ -</u>	<u>\$ 1,487,456</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	2-10 years
Testing equipment	1-8 years
Transportation equipment	3-10 years
Office equipment	1-8 years
Leasehold improvements	1-10 years
Other equipment	1-10 years

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

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

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Carrying amount</u>		
Land	\$ 1,115,374	\$ 503,524
Buildings	518,704	563,143
Transportation equipment	4,620	-
Other equipment	<u>2,946</u>	<u>3,134</u>
	<u>\$ 1,641,644</u>	<u>\$ 1,069,801</u>
	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Additions to right-of-use assets	<u>\$ 842,073</u>	<u>\$ 573,105</u>
Depreciation charge for right-of-use assets		
Land	\$ 27,727	\$ 11,513
Buildings	244,340	215,290
Transportation equipment	476	87
Other equipment	<u>1,898</u>	<u>818</u>
	<u>\$ 274,441</u>	<u>\$ 227,708</u>

### b. Lease liabilities

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Carrying amount</u>		
Current	<u>\$ 227,890</u>	<u>\$ 213,367</u>
Non-current	<u>\$ 1,167,014</u>	<u>\$ 753,927</u>

Range of discount rates for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Land	2.37%-2.80%	2.80%
Buildings	0.85%-8.02%	0.85%-5.33%
Transportation equipment	2.14%-2.77%	3.93%
Other equipment	1.89%	1.89%

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Expenses relating to short-term leases	\$ 40,967	\$ 33,113
Total cash outflow for leases	<u>\$ 342,754</u>	<u>\$ 386,251</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**

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Cost</u>		
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 2022 and 2021.

**17. INTANGIBLE ASSETS**

	<b>Technology License Fees</b>	<b>Computer Software</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2022	\$ 13,897	\$ 153,778	\$ 167,675
Additions	1,680	118,407	120,087
Reductions	-	(28,730)	(28,730)
Effect of foreign currency exchange differences	<u>-</u>	<u>311</u>	<u>311</u>
Balance at December 31, 2022	<u>\$ 15,577</u>	<u>\$ 243,766</u>	<u>\$ 259,343</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2022	\$ 229	\$ 60,095	\$ 60,324
Additions	3,134	58,559	61,693
Reductions	-	(28,730)	(28,730)
Effect of foreign currency exchange differences	<u>-</u>	<u>71</u>	<u>71</u>
Balance at December 31, 2022	<u>\$ 3,363</u>	<u>\$ 89,995</u>	<u>\$ 93,358</u>
Carrying amount at December 31, 2022	<u>\$ 12,214</u>	<u>\$ 153,771</u>	<u>\$ 165,985</u>

(Continued)

	<b>Technology License Fees</b>	<b>Computer Software</b>	<b>Total</b>
<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	<u>-</u>	<u>(37)</u>	<u>(37)</u>
Balance at December 31, 2021	<u>\$ 13,897</u>	<u>\$ 153,778</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	<u>-</u>	<u>(25)</u>	<u>(25)</u>
Balance at December 31, 2021	<u>\$ 229</u>	<u>\$ 60,095</u>	<u>\$ 60,324</u>
Carrying amount at December 31, 2021	<u>\$ 13,668</u>	<u>\$ 93,683</u>	<u>\$ 107,351</u> (Concluded)

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

Technology license fees	3-5 years
Computer software	1-6 years

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

## 18. PREPAYMENTS AND OTHER ASSETS

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Current</u>		
Prepayments		
Excess VAT paid	\$ 216,067	\$ 78,620
Prepayments for software maintenance fees	41,347	23,485
Prepayments for purchases	36,993	23,707
Other	<u>46,660</u>	<u>69,981</u>
	<u>\$ 341,067</u>	<u>\$ 195,793</u>
<u>Non-current</u>		
Other Assets		
Pledged time deposits (Note 34)	\$ 79,419	\$ 79,415
Prepayments for investment	30,039	-
Prepayments for land use right	-	155,000
Other	<u>3,314</u>	<u>-</u>
	<u>\$ 112,772</u>	<u>\$ 234,415</u>

## 19. BORROWINGS

### Long-term borrowings

The borrowings of the Group are as follows:

	Maturity Date	Significant Covenant	December 31	
			2022	2021
Unsecured bank borrowings	2026.06.15	From June 2022, 49 monthly payments of principal and interest	\$ 857,143	\$ 1,000,000
Unsecured bank borrowings	2026.04.15	From June 2022, 47 monthly payments of principal and interest	185,532	218,000
Unsecured bank borrowings	2024.08.29	From September 2023, 4 quarterly payments of principal and interest	<u>2,500,000</u>	<u>-</u>
			3,542,675	1,218,000
Less: Discounts on government grants (Note 29)			(11,785)	(39,257)
Less: Current portion			<u>(925,558)</u>	<u>(175,325)</u>
			<u>\$ 2,605,332</u>	<u>\$ 1,003,418</u>

The intervals of effective borrowing rates as of December 31, 2022 and 2021 were 0.475%-1.660% and 0%-0.10%, respectively.

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, 2022 and 2021, the Group had met the financial ratio covenants.

## 20. OTHER LIABILITIES

	December 31	
	2022	2021
<u>Current</u>		
Other payables		
Temporary receipts from customers	\$ 794,178	\$ 515,368
Payable for salaries and bonuses	601,469	535,021
Temporary credit and agency receipt	243,541	98,151
Payable for insurance	97,245	86,881
Payable for import/export	75,328	112,600
Payable for service	46,901	45,460
Others	<u>1,134,589</u>	<u>901,697</u>
	<u>\$ 2,993,251</u>	<u>\$ 2,295,178</u>

## 21. PROVISIONS

	December 31	
	2022	2021
Warranties	<u>\$ 264,711</u>	<u>\$ 102,430</u>

## Warranties

### In 2021

Balance at January 1, 2021	\$ 84,389
Additional provisions recognized	118,726
Amounts used	(100,596)
Effect of foreign currency exchange differences	<u>(89)</u>
Balance at December 31, 2021	<u>\$ 102,430</u>

### In 2022

Balance at January 1, 2022	\$ 102,430
Additional provisions recognized	272,464
Amounts used	(110,525)
Effect of foreign currency exchange differences	<u>342</u>
Balance at December 31, 2022	<u>\$ 264,711</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>	
	<b>2022</b>	<b>2021</b>
Present value of defined benefit obligation	\$ 281,957	\$ 294,233
Fair value of plan assets	<u>(274,231)</u>	<u>(264,451)</u>
Net defined benefit liabilities	<u>\$ 7,726</u>	<u>\$ 29,782</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2022	<u>\$ 294,233</u>	<u>\$(264,451)</u>	<u>\$ 29,782</u>
Service cost			
Current service cost	762	-	762
Net interest expense (income)	<u>2,199</u>	<u>(1,983)</u>	<u>216</u>
Recognized in profit or loss	<u>2,961</u>	<u>(1,983)</u>	<u>978</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(20,752)	(20,752)
Actuarial loss - experience adjustments	<u>486</u>	-	<u>486</u>
Recognized in other comprehensive loss (income)	<u>486</u>	<u>(20,752)</u>	<u>(20,266)</u>
Contributions from the employer	-	<u>(2,768)</u>	<u>(2,768)</u>
Benefits paid	<u>(15,723)</u>	<u>15,723</u>	-
Balance at December 31, 2022	<u>\$ 281,957</u>	<u>\$(274,231)</u>	<u>\$ 7,726</u>
Balance at January 1, 2021	<u>\$ 294,922</u>	<u>\$(265,807)</u>	<u>\$ 29,115</u>
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>4,150</u>
Recognized in other comprehensive loss (income)	<u>4,150</u>	<u>(2,623)</u>	<u>1,527</u>
Contributions from the employer	-	<u>(1,898)</u>	<u>(1,898)</u>
Benefits paid	<u>(8,015)</u>	<u>8,015</u>	-
Balance at December 31, 2021	<u>\$ 294,233</u>	<u>\$(264,451)</u>	<u>\$ 29,782</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Operating costs	\$ 69	\$ 57
Selling and marketing expenses	124	119
General and administrative expenses	395	467
Research and development expenses	<u>390</u>	<u>395</u>
	<u>\$ 978</u>	<u>\$ 1,038</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:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rates	1.25%	0.75%
Expected rates of salary increase	4.00%	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:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rates		
0.25% increase	<u>\$ (5,998)</u>	<u>\$ (7,009)</u>
0.25% decrease	<u>\$ 6,199</u>	<u>\$ 7,265</u>
Expected rates of salary increase		
1.00% increase	<u>\$ 25,099</u>	<u>\$ 29,533</u>
1.00% decrease	<u>\$(22,496)</u>	<u>\$(26,180)</u>

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Expected contributions to the plans for the next year	<u>\$ 2,768</u>	<u>\$ 1,898</u>
Average duration of the defined benefit obligation	11 years	12 years

## 23. EQUITY

### a. Ordinary shares

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
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>560,140</u>	<u>559,920</u>
Issued capital	<u>\$ 5,601,399</u>	<u>\$ 5,599,204</u>

A holder of issued ordinary shares with par value of \$10 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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Issuance of ordinary shares	\$ 537,846	\$ 537,114
Treasury share transactions	83,393	70,137
Employee share options	220,988	219,717
<u>May only be used to offset a deficit</u>		
Changes in percentage of ownership interests in subsidiaries (2)	8,113	8,113
<u>May not be used for any purpose</u>		
Employee share options	<u>7,228</u>	<u>8,499</u>
	<u>\$ 857,568</u>	<u>\$ 843,580</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, 2022 and 2021, 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, 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>
Balance at January 1, 2022	\$ 537,114	\$ 70,137	\$ 219,717	\$ 8,113	\$ 8,499
Employee share options exercised	732	-	1,075	-	(1,075)
Employee share options expired	-	-	196	-	(196)
Cash dividends received by subsidiaries from parent company	-	13,256	-	-	-
Balance at December 31, 2022	<u>\$ 537,846</u>	<u>\$ 83,393</u>	<u>\$ 220,988</u>	<u>\$ 8,113</u>	<u>\$ 7,228</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 2021 and 2020, which were approved in the shareholders' meetings on June 16, 2022 and July 8, 2021, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For Year 2021</u>	<u>For Year 2020</u>	<u>For Year 2021</u>	<u>For Year 2020</u>
Legal reserve	\$ 470,713	\$ 504,445	\$ -	\$ -
(Reversal of) special reserve	21,320	(65,023)	-	-
Cash dividends	3,359,576	3,636,538	5.9987	6.4956

The appropriations of earnings for 2022 were proposed by the Company's board of directors on March 9, 2023. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (NT\$)</u>
Legal reserve	\$ 818,608	\$ -
Reversal of special reserve	(32,525)	-
Cash dividends	4,201,117	7.5

The appropriations of earnings for 2022 are subject to the resolution of the shareholders' meeting to be held on June 15, 2023.

d. Special reserves

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Beginning at January 1	\$ 473,221	\$ 538,244
Appropriations (reversal of) in respect of Debits to other equity items	<u>21,320</u>	<u>(65,023)</u>
Balance at December 31	<u>\$ 494,541</u>	<u>\$ 473,221</u>

e. Other equity items

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

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ (493,628)	\$ (454,339)
Recognized for the year Exchange differences on the translation of the financial statements of foreign operations	<u>122,181</u>	<u>(39,289)</u>
Balance at December 31	<u>\$ (371,447)</u>	<u>\$ (493,628)</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ (913)	\$ (18,882)
Recognized for the year		
Unrealized (loss) gain - equity instruments	(89,656)	21,569
Reclassification adjustments		
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	_____ -	_____ (3,600)
Balance at December 31	<u>\$ (90,569)</u>	<u>\$ (913)</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, 2022</u>			
Accton Investment	2,210	<u>\$ 50,999</u>	<u>\$ 518,214</u>
<u>December 31, 2021</u>			
Accton Investment	2,210	<u>\$ 50,999</u>	<u>\$ 574,565</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.

## 24. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Revenue from the sale of goods	\$ 77,125,777	\$ 59,519,099
Other operating revenue	_____ 79,446	_____ 79,582
	<u>\$ 79,205,223</u>	<u>\$ 59,598,681</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, 2022 and 2021, for information on the refund liability which amounted to \$145,940 thousand and \$105,639 thousand, respectively.

b. Contact balances

	<b>December 31, 2022</b>	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Trade receivables (Note 10)	<u>\$ 13,135,959</u>	<u>\$ 10,316,031</u>	<u>\$ 8,843,964</u>
Contract liabilities - current			
Sale of goods	<u>\$ 876,472</u>	<u>\$ 841,636</u>	<u>\$ 958,519</u>

As of December 31, 2022 and 2021, the sales of goods from contract liabilities amounted to \$126,546 thousand and \$368,527 thousand, respectively.

c. Disaggregation of revenue

Refer to Note 38 for information on disaggregation of revenue.

## 25. NET PROFIT

Net profit attributable to:

a. Interest income

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Bank deposits	\$ 179,142	\$ 32,335
Others	<u>86</u>	<u>135</u>
	<u>\$ 179,228</u>	<u>\$ 32,470</u>

b. Other income

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Grant income (Note 29)	\$ 49,784	\$ 59,122
Dividends	12,677	9,003
Others	<u>36,967</u>	<u>97,418</u>
	<u>\$ 99,428</u>	<u>\$ 165,543</u>

c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Net foreign exchange gain (loss)	\$ 500,677	\$ (44,993)
Gain on lease modification	1	206
Net (loss) gain on fair value changes of financial assets		
Financial assets mandatorily classified as at FVTPL	(64,149)	184,106
Others	<u>(2,669)</u>	<u>(2,894)</u>
	<u>\$ 433,860</u>	<u>\$ 136,425</u>

d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Interest on lease liabilities	\$ 38,076	\$ 26,375
Interest on bank loans	27,884	16,013
Others	<u>2,102</u>	<u>-</u>
	<u>\$ 68,062</u>	<u>\$ 42,388</u>

e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
An analysis of depreciation by function		
Operating costs	\$ 392,022	\$ 372,911
Operating expenses	<u>412,939</u>	<u>349,404</u>
	<u>\$ 804,961</u>	<u>\$ 722,315</u>
An analysis of amortization by function		
Operating costs	\$ 6,578	\$ 5,725
Operating expenses	<u>55,115</u>	<u>38,478</u>
	<u>\$ 61,693</u>	<u>\$ 44,203</u>

f. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Short-term benefits	\$ 6,106,325	\$ 4,953,914
Post-employment benefits (Note 22)		
Defined contribution plan	223,575	209,582
Defined benefit plans	<u>978</u>	<u>1,038</u>
Total employee benefits expense	<u>\$ 6,330,878</u>	<u>\$ 5,164,534</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 1,880,943	\$ 1,685,713
Operating expenses	<u>4,449,935</u>	<u>3,478,821</u>
	<u>\$ 6,330,878</u>	<u>\$ 5,164,534</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, 2022 and 2021, which were approved by the Company's board of directors on March 9, 2023 and March 17, 2022, respectively, were as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Compensation of employees	11.25%	11.25%
Remuneration of directors	0.4%	0.6%

Amount

	<b>For the Year Ended December 31</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Cash</b>	<b>Share</b>	<b>Cash</b>	<b>Share</b>
Compensation of employees	\$ 1,269,568	\$ -	\$ 713,872	\$ -
Remuneration of directors	<u>\$ 40,000</u>	-	<u>\$ 40,000</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, 2021 and 2020.

Information on compensation of employees and remuneration of directors resolved by the Company's board of directors in 2022 and 2021 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:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Current tax		
In respect of the current year	\$ 1,897,912	\$ 991,990
Income tax on unappropriated earnings	32,322	43,132
Adjustments for prior years	40,458	(65,008)
Deferred tax		
In respect of the current year	<u>139,419</u>	<u>55,979</u>
Income tax expense recognized in profit or loss	<u>\$ 2,110,111</u>	<u>\$ 1,026,093</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Profit before tax	<u>\$ 10,275,923</u>	<u>\$ 5,731,151</u>
Income tax expense calculated at the statutory rate	\$ 2,336,717	\$ 1,278,681
Income tax on unappropriated earnings	42,776	48,424
Nondeductible items expenses in determining taxable income	(161,284)	(133,698)
Investment tax credits used	(148,556)	(102,306)
Adjustments for prior years' tax	<u>40,458</u>	<u>(65,008)</u>
Income tax expense recognized in profit or loss	<u>\$ 2,110,111</u>	<u>\$ 1,026,093</u>

### b. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Current tax assets (included in other receivables)		
Tax refund receivable	<u>\$ 3,297</u>	<u>\$ 2,628</u>
Current tax liabilities		
Income tax payable	<u>\$ 2,071,691</u>	<u>\$ 1,168,369</u>

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2022

	<b>Balance, at Beginning of Year</b>	<b>Movements</b>	<b>Balance, at End of Year</b>
<u>Deferred tax assets</u>			
Temporary difference	\$ 22,060	\$ 129,432	\$ 151,492
Loss carryforwards	<u>471</u>	<u>(471)</u>	<u>-</u>
	<u>\$ 22,531</u>	<u>\$ 128,961</u>	<u>\$ 151,492</u>
<u>Deferred tax liabilities</u>			
Temporary difference	<u>\$ -</u>	<u>\$(268,380)</u>	<u>\$(268,380)</u>

For the year ended December 31, 2021

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

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Loss carryforwards		
Expire in 2022	\$ -	\$ 104,931
Expire in 2023	473,482	426,766
Expire in 2024	325,500	293,385
Expire in 2025	320,653	289,016
Expire in 2026	50,937	-
Expire in 2027	46,408	41,829
Expire in 2029	87,635	78,988
Expire in 2033	97,351	87,746
Expire in 2035	74,279	66,950
Expire in 2036	115,607	104,201
Expire in 2037	176,798	159,354
Expire in 2038	271,195	244,438
Expire in 2039	52,537	47,353
Expire in 2041	29,794	26,854
Expire in 2042	7,954	-
	<u>\$ 2,130,130</u>	<u>\$ 1,971,811</u>
Deductible temporary differences	<u>\$ 642,885</u>	<u>\$ 707,219</u>

- e. Income tax assessments

The tax authorities have examined income tax returns of the Company, Edgecore Networks, and E-Direct through 2020.

## 27. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Basic earnings per share	<u>\$ 14.64</u>	<u>\$ 8.44</u>
Diluted earnings per share	<u>\$ 14.45</u>	<u>\$ 8.36</u>

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

### Net Profit for the Year

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 8,165,812</u>	<u>\$ 4,705,059</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	557,837	557,501
Effect of potentially dilutive ordinary shares		
Employee share options	1,238	1,612
Compensation of employees	<u>6,082</u>	<u>3,364</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>565,157</u>	<u>562,477</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 will be 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. 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:

	<b>For the Year Ended December 31</b>	
	<b>Number of Options (In Thousands)</b>	<b>Weighted-average Exercise Price (NT\$)</b>
<u>2021</u>		
Balance at January 1	2,002	\$ 13.80
Options exercised	(464)	13.75
Options canceled	<u>(100)</u>	13.50
Balance at December 31	<u>1,438</u>	13.50

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>Number of Options (In Thousands)</b>	<b>Weighted-average Exercise Price (NT\$)</b>
<u>2022</u>		
Balance at January 1	1,438	\$ 13.50
Options exercised	(220)	13.33
Options canceled	<u>(40)</u>	13.50
Balance at December 31	<u>1,178</u>	13.10 (Concluded)

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, 2022 was as follows:

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

2014 option plan

\$ 13.10	<u>1,178</u>	1.69	\$ 13.10	<u>1,178</u>	\$ 13.10
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Options granted in 2014 were priced using the Black-Scholes pricing model. The inputs to the model were as follows:

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

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, 2022 and 2021.

### 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.

	<b>For the Year Ended December 31</b>	
	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (USD)</b>
<u>2021</u>		
Balance at January 1	246	USD1.10
Options canceled	<u>(12)</u>	USD1.10
Balance at December 31	<u>234</u>	USD1.10
<u>2022</u>		
Balance at January 1	234	USD1.10
Options canceled	<u>(234)</u>	USD1.10
Balance at December 31	<u>-</u>	USD -

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

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

The grant-date share price was measured by 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, 2022 and 2021.

## 29. GOVERNMENT GRANTS

As of December 31, 2022, 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 \$1,160,209 thousand. The difference between the amount obtained and the fair value of the loan is \$57,791 thousand, which is regarded as a government low-interest loan and recognized as deferred income. In 2022 and 2021, the Company recognized other income of \$8,838 thousand and \$11,075 thousand and the interest expense of the loan of \$15,213 thousand and \$15,491 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 should pay the original interest rate plus the annual interest rate.

In 2022, the Company recognized the amount of \$13,330 thousand as other income for the grant of “The Taiwan Industry Innovation Platform Program” and the grant of labor allowance from the government received.

In 2022 and 2021, Joy Tech recognized the amounts of \$27,616 thousand and \$48,047 thousand as other income for the grants business development and labor allowance from the local government.

## 30. DISPOSAL OF SUBSIDIARY

a. On September 30, 2022, the Group completed the liquidation of its subsidiary, Edgecore Cayman.

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

	<b>Edgecore Cayman</b>
Current assets	
Cash and cash equivalents	<u>\$ 64,450</u>
Net assets disposed of	<u>\$ 64,450</u>

2) Gain on liquidation of subsidiary

	<b>Edgecore Cayman</b>
Consideration received	\$ 64,450
Net assets disposed of	<u>(64,450)</u>
Gain on disposal	<u>\$ -</u>

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

1) Analysis of assets and liabilities on the date of liquidation	<b>Horwood</b>
Current assets	
Cash and cash equivalents	\$ 7,708
Net assets disposed of	<u>\$ 7,708</u>
2) Gain on liquidation of subsidiary	<b>Horwood</b>
Consideration received	\$ 7,708
Net assets disposed of	<u>(7,708)</u>
Gain on disposal	<u>\$ -</u>

c. On November 11, 2021, the Group lost control over its subsidiary, Metalligence. Please set out in Note 13.

1) Analysis of assets and liabilities on the date of losing control	<b>Metalligence</b>
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	<b>Metalligence</b>
The remainder investment recognized at fair value	\$ 222
Net assets disposed of	<u>(222)</u>
Gain on disposal	<u>\$ -</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, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 218,035	\$ -	\$ -	\$ 218,035
Unlisted shares	<u>-</u>	<u>-</u>	<u>108,999</u>	<u>108,999</u>
	<u>\$ 218,035</u>	<u>\$ -</u>	<u>\$ 108,999</u>	<u>\$ 327,034</u>

(Continued)

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares and emerging market shares	\$ 183,224	\$ -	\$ -	\$ 183,224
Foreign unlisted shares	<u>-</u>	<u>-</u>	<u>22,472</u>	<u>22,472</u>
	<u>\$ 183,224</u>	<u>\$ -</u>	<u>\$ 22,472</u>	<u>\$ 205,696</u>

(Concluded)

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>

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, 2022

<b>Financial Assets</b>	<b>Financial Assets at FVTPL Equity Instruments</b>	<b>Financial Assets at FVTOCI Equity Instruments</b>
Balance at January 1, 2022	\$ 195,145	\$ -
Recognized in profit or loss (included in other gains and losses)	(66,537)	-
Recognized in unrealized gain or loss on investments in equity instruments at fair value through other comprehensive income (loss)	-	(5,348)
Purchases	-	27,820
Sales	<u>(19,609)</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 108,999</u>	<u>\$ 22,472</u>

For the year ended December 31, 2021

<b>Financial Assets</b>	<b>Financial Assets at FVTPL Equity Instruments</b>
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	<u>(1,440,116)</u>
Balance at December 31, 2021	<u>\$ 195,145</u>

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

- a) Some foreign unlisted equity securities are determined by using the Hybrid 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.
- b) 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.

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Price book ratio	1.633-2.490	1.636-5.827
Price-to-sales ratio	0.64-0.85	0.64-2.44
Liquidity discount	20%	20%

b. Categories of financial instruments

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 327,034	\$ 335,157
Financial assets at amortized cost (Note 1)	28,504,428	18,096,056
Financial assets at FVTOCI		
Equity instruments	205,696	250,405

Financial liabilities

Amortized cost (Note 2)	19,063,367	15,152,134
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Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes and trade receivables (include related parties), other receivables (include related parties), time deposits with original maturity of more than 3 months, pledged time deposits and refundable deposits.

Note 2: The balances included financial liabilities 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 36.

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.

	<b>USD Impact</b>		<b>EUR Impact</b>		<b>HKD Impact</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>		<b>December 31</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Profit or loss	\$134,819	\$ 32,694	\$ 22	\$ 23	\$ (270)	\$ (236)

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:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Fair value interest rate risk		
Financial assets	\$ 10,282,178	\$ 2,200,214
Financial liabilities	1,394,904	967,294
Cash flow interest rate risk		
Financial assets	4,249,480	4,844,037
Financial liabilities	3,530,890	1,178,743

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, 2022 and 2021 would have increased/decreased by \$719 thousand and \$3,665 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, the post-tax other comprehensive income for the years ended December 31, 2022 and 2021 would have increased/decreased by \$1,832 thousand and \$2,504 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, 2022 and 2021, 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, 2022

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1+ Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 7,256,586	\$ 5,982,912	\$ 2,292,163	\$ 816	\$ 15,532,477
Lease liabilities	13,989	35,337	220,951	1,676,891	1,947,168
Variable interest rate liabilities	<u>28,927</u>	<u>57,855</u>	<u>884,058</u>	<u>2,634,993</u>	<u>3,605,833</u>
	<u>\$ 7,299,502</u>	<u>\$ 6,076,104</u>	<u>\$ 3,397,172</u>	<u>\$ 4,312,700</u>	<u>\$ 21,085,478</u>

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

	<b>Less than 1 Year</b>	<b>1-5 years</b>	<b>5-10 years</b>	<b>10-15 years</b>	<b>15-20 years</b>	<b>20+ years</b>
Lease liabilities	\$ 270,277	\$ 313,734	\$ 430,523	\$ 89,125	\$ 351,625	\$ 491,884
Variable interest rate liabilities	<u>970,840</u>	<u>2,634,993</u>	-	-	-	-
	<u>\$ 1,241,117</u>	<u>\$ 2,948,727</u>	<u>\$ 430,523</u>	<u>\$ 89,125</u>	<u>\$ 351,625</u>	<u>\$ 491,884</u>

#### December 31, 2021

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1+ Years</b>	<b>Total</b>
<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	<u>18</u>	<u>36</u>	<u>175,478</u>	<u>1,042,977</u>	<u>1,218,509</u>
	<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	<u>175,532</u>	<u>1,042,977</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<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>

b) Financing facilities

	<u>December 31</u>	
	2022	2021
Unsecured bank overdraft facilities:		
Amount used	\$ 3,542,675	\$ 1,218,000
Amount unused	<u>9,959,620</u>	<u>6,943,456</u>
	<u>\$ 13,502,295</u>	<u>\$ 8,161,456</u>

The Group does not have bank loan facilities which may be extended by mutual agreements on December 31, 2022 and 2021.

### 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
CheerLife Technology Corp.	Associate

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

b. Sales

<u>Line Item</u>	<u>Related Party Name</u>	<u>December 31</u>	
		2022	2021
Sales	Oenix Biomed Co., Ltd.	\$ 3,525	\$ 581
	Metalligence Technology Corp.	<u>168</u>	<u>-</u>
		<u>\$ 3,693</u>	<u>\$ 581</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. Operating expense

<b>Line Item</b>	<b>Related Party Name</b>	<b>December 31</b>	
		<b>2022</b>	<b>2021</b>
Operating expense	Metalligence Technology Corp.	<u>\$ 1,108</u>	<u>\$ 10</u>

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

d. Non-operating income and expenses

<b>Line Item</b>	<b>Related Party Name</b>	<b>December 31</b>	
		<b>2022</b>	<b>2021</b>
Other revenue	Metalligence Technology Corp.	\$ 268	\$ 45
	Oenix Biomed Co., Ltd.	92	91
	CheerLife Technology Corp.	<u>23</u>	<u>          </u>
		<u>\$ 383</u>	<u>\$ 136</u>

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

e. Receivables from related parties

<b>Line Item</b>	<b>Related Party Name</b>	<b>December 31</b>	
		<b>2022</b>	<b>2021</b>
Trade receivables - related parties	Oenix Biomed Co., Ltd.	\$ 1,004	\$ 39
	Metalligence Technology Corp.	<u>139</u>	<u>-</u>
		<u>\$ 1,143</u>	<u>\$ 39</u>

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

f. Other receivables from related parties

<b>Line Item</b>	<b>Related Party Name</b>	<b>December 31</b>	
		<b>2022</b>	<b>2021</b>
Other receivables from related parties	Noctilucent Systems (Shanghai) Limited	\$ 5,314	\$ 5,666
	Metalligence Technology Corp.	3,628	3,396
	Oenix Biomed Co., Ltd.	16	16
	CheerLife Technology Corp.	<u>265</u>	<u>-</u>
		<u>\$ 9,223</u>	<u>\$ 9,078</u>

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

g. Prepayments

<b>Line Item</b>	<b>Related Party Name</b>	<b>December 31</b>	
		<b>2022</b>	<b>2021</b>
Prepayments to related parties	Metalligence Technology Corp.	\$ <u>-</u>	\$ <u>2,282</u>

h. Remuneration of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Short-term employee benefits	\$ 197,908	\$ 168,241
Termination benefits	<u>1,084</u>	<u>969</u>
	<u>\$ 198,992</u>	<u>\$ 169,210</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 for the tariff guarantee and performance guarantee:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Pledged time deposits (classified as other non-current assets - other)	<u>\$ 79,419</u>	<u>\$ 79,415</u>

### 35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2022, the Company needed to issue a letter of guarantee from the bank to the customs for the import/export of goods that amounted to \$25,000 thousand.

As of December 31, 2022, Accton Global has issued unused letters of credit as a guarantee to the U.S. customs affairs, and the amount of the guarantee was USD400 thousand.

As of December 31, 2022, Edgecore Networks needed to issue a letter of guarantee from the bank to the customs for the import/export of goods that amounted to \$1,000 thousand.

### 36. 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, 2022

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD		30.71	
	\$ 845,191	(USD:NTD)	\$ 25,955,821
USD		4.4080	
	163,497	(RMB:NTD)	5,020,991
		6.9669	
		(USD:RMB)	
RMB		4.4080	
	36,118	(RMB:NTD)	159,206
JPY	67,636	0.2324 (JPY:NTD)	15,719
EUR		32.72	
	67	(EUR:NTD)	2,195
HKD		4.4080	
	11	(RMB:NTD)	42
		0.8934	
		(HKD:RMB)	
<u>Financial liabilities</u>			
Monetary items			
USD		30.71	
	492,290	(USD:NTD)	15,118,213
USD		4.4080	
	77,391	(RMB:NTD)	2,376,664
		6.9669	
		(USD:RMB)	
HKD		4.4080	
	6,860	(RMB:NTD)	27,015
		0.8934	
		(HKD:RMB)	

December 31, 2021

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD		27.68	
	\$ 492,440	(USD:NTD)	\$ 13,630,739
USD		4.3440	
	125,565	(RMB:NTD)	3,475,646
		6.3720	
		(USD:RMB)	
JPY	97,092	0.2405 (JPY:NTD)	23,351
EUR		31.32	
	85	(EUR:NTD)	2,662
HKD		4.3440	
	4	(RMB:NTD)	13
		0.8170	
		(HKD:RMB)	
<u>Financial liabilities</u>			
Monetary items			
USD		27.68	
	395,590	(USD:NTD)	10,949,927
USD		4.3440	
	104,300	(RMB:NTD)	2,887,010
		6.3720	
		(USD:RMB)	
EUR		31.32	
	1	(EUR:NTD)	16
EUR		4.3440	
	12	(RMB:NTD)	387
		7.2099	
		(EUR:RMB)	
HKD		4.3440	
	6,647	(RMB:NTD)	23,589
		0.8170	
		(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:

Functional Currency	For the Year Ended December 31			
	2022		2021	
	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)	\$ 420,661	1 (NTD:NTD)	\$ (20,500)
RMB	4.4346 (RMB:NTD)	80,017	4.3417 (RMB:NTD)	(24,497)
USD	29.805 (USD:NTD)	<u>(1)</u>	28.009 (USD:NTD)	<u>4</u>
		<u>\$ 500,677</u>		<u>\$ (44,993)</u>

### 37. 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. (None)
- 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)

### 38. SEGMENT INFORMATION

- a. For resources allocation and performance assessment, the Group's chief operating decision maker reviews operating results and financial information. The focus is on the operating results of each plant operated by the Company and its subsidiaries. Thus, each plant is an operating segment of the Group. As each plant shares similar economic characteristics, produces similar products by using similar production processes and all 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 2022 and 2021. The segment assets are shown in the consolidated balance sheets as of December 31, 2022 and 2021.

- b. Revenue from major products and services

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

	<b>For the Year Ended December</b>	
	<b>31</b>	
	<b>2022</b>	<b>2021</b>
Switch	\$ 45,521,246	\$ 37,504,008
Network Application	20,472,209	11,493,273
Metro Access Switch	7,104,853	7,364,562
Other	2,893,057	2,274,838
Wireless	<u>1,213,858</u>	<u>962,000</u>
	<u>\$ 77,205,223</u>	<u>\$ 59,598,681</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:

	<b>Revenue from External Customers</b>		<b>Non-current Assets</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
America	\$50,805,772	\$35,811,028	\$ 36,816	\$ 17,079
Europe	13,844,260	12,495,041	-	-
Asia	11,708,296	10,541,549	742,299	691,184
Taiwan (Company location)	819,250	659,258	3,105,583	2,301,671
Others	<u>27,645</u>	<u>91,805</u>	<u>-</u>	<u>-</u>
	<u>\$77,205,223</u>	<u>\$59,598,681</u>	<u>\$ 3,884,698</u>	<u>\$ 3,009,934</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:

<b>Customer</b>	<b>2022</b>		<b>2021</b>	
	<b>Amount</b>	<b>% to Total</b>	<b>Amount</b>	<b>% to Total</b>
A	\$18,665,329	24	\$ 9,784,471	16
B	10,675,252	14	6,446,615	11
C	7,981,973	10	5,894,293	9
D	7,486,714	10	7,158,540	12

## ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(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 Global, Inc.	2	\$ 2,042,816	\$ 153,550 (USD 5,000)	\$ 153,550 (USD 5,000)	\$ 6,142 (USD 200)	\$ -	0.75	\$ 6,128,448	Yes	No	No
0	Accton Technology Corporation	Joy Technology (ShenZhen) Co., Ltd.	2	2,042,816	440,940 (RMB 100,000)	440,940 (RMB 100,000)	-	-	2.16	6,128,448	Yes	No	Yes
0	Accton Technology Corporation	Vietnam Accton Technology Co., Ltd.	2	2,042,816	153,550 (USD 5,000)	153,550 (USD 5,000)	-	-	0.75	6,128,448	Yes	No	No
1	Accton Global, Inc.	Accton Logistics Corporation	4	87,684	6,142 (USD 200)	6,142 (USD 200)	6,142 (USD 200)	-	7.00	87,684	No	No	No
2	Joy Technology (ShenZhen) Co., Ltd.	MuXi Technology Co., Ltd.	4	5,053,140	573,222 (RMB 130,000)	573,222 (RMB 130,000)	-	-	11.34	5,053,140	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.

## ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

(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, 2022				Note
				Shares/Units (Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
Accton Technology Corporation	<u>Fund</u>							
	Allianz Global Investors Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	9,044	\$ 115,180	-	\$ 115,180	Note 5
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss - current	5,212	80,108	-	80,108	Note 5
	JPMorgan Funds - US Aggregate Bond Fund	-	Financial assets at fair value through profit or loss - current	17	8,711	-	8,711	Note 5
	<u>Shares</u>							
	First Hi-Tec Enterprise Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	1,496	70,231	2%	70,231	Note 4
	Cathay Financial Holding Co., Ltd. - preference shares	-	Financial assets at fair value through other comprehensive income - current	830	46,978	-	46,978	Note 4
	Marvell Technology Inc.	-	Financial assets at fair value through other comprehensive income - current	22	24,836	-	24,836	Note 4
	Clientron Corp.	-	Financial assets at fair value through other comprehensive income - current	289	6,546	-	6,546	Note 6
	Cathay Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	71	2,823	-	2,823	Note 4
	Cathay Financial Holding Co., Ltd. - preference share B	-	Financial assets at fair value through other comprehensive income - current	35	1,894	-	1,894	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	2,815	84,527	9%	84,527	Note 3
	i Pass Corporation	-	Financial assets at fair value through profit or loss - non-current	1,140	-	1%	-	Note 3
	Wave-In Communication Inc.	-	Financial assets at fair value through profit or loss - non-current	1,138	-	7%	-	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	
Stratus Medicine Inc.	-	Financial assets at fair value through profit or loss - non-current	833	-	4%	-	Note 3	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Shares/Units (Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
Accton Technology Corporation	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
	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	-	518,214	Note 4
	Xsight Labs Ltd. - preference share D	-	Financial assets at fair value through profit or loss - non-current	125	-	-	-	Note 3
	Quantun Machines Ltd. - preference share A	-	Financial assets at fair value through profit or loss - non-current	217	-	1%	-	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	46	-	-	-	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	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Shares/Units (Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
Accton Investment Corp.	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
	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	-	-	-	-	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 Asia Investments Corp.	<u>Shares</u> Zhuhai Jinfangda Technology Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	-	-	18%	-	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, 2022				Note
				Shares/Units (Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
Edgecore Networks Corp.	<u>Fund</u> Taishin Ta-Chong Money Market Fund	-	Financial assets at fair value through profit or loss - current	973	\$ 14,036	-	\$ 14,036	Note 5
	<u>Shares</u> ALFA Network Inc.	-	Financial assets at fair value through profit or loss - non-current	969	24,472	19%	24,472	Note 3
	AVIZ Networks Inc. - preference shares	-	Financial assets at fair value through other comprehensive income - non-current	4,065	22,472	-	22,472	Note 3
SMC Networks Inc.	<u>Shares</u> Humax Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	369	29,916 (USD 974)	-	29,916 (USD 974)	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, 2022 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, 2022.

Note 4: The market value was based on the closing price as of December 31, 2022.

Note 5: The market value was based on the net asset value of the fund as of December 31, 2022.

Note 6: The market value was based on the average quoted price as of December 31, 2022.

(Concluded)

**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, 2022**

**(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	Allianz Global Investors Taiwan Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	\$ -	33,461	\$ 425,000	24,417	\$ 310,361	\$ 310,000	\$ 361	9,044	\$ 115,180

Note: The disposal cost represents acquisition cost.

**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, 2022  
(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	January 7, 2022 (Note)	\$ 638,241 (Note)	Based on the terms in the contract	Hsinchu Country Government	-	Not applicable	Not applicable	Not applicable	Not applicable	Bid price	Operating purpose	-

Note: The Company recognized the right-of-use asset at the commencement date on March 8, 2022, and calculated the right-of-use asset by using the discount rate in accordance with the lease terms of 40 years.

## 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, 2022  
(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	\$ 13,014,783	21	75 days after the delivery date	Specified at each transaction	75 days after the delivery date	\$ (4,917,062)	39	-
	Accton Global, Inc.	Subsidiary	Sale	9,197,917	12	75 days after the delivery date	Specified at each transaction	75 days after the delivery date	2,890,302	22	-
	Edgecore Networks Corp.	Subsidiary	Sale	3,216,436	4	75 days after the delivery date	Specified at each transaction	75 days after the delivery date	159,812	1	-
	Accton Logistics Corp.	Subsidiary	Sale	113,281	-	75 days after the delivery date	Specified at each transaction	75 days after the delivery date	26,091	-	-
Joy Technology (Shenzhen) Co., Ltd.	MuXi Technology Co., Ltd.	Held by the same ultimate holding company	Sale	6,255,633	8	Monthly 45 days	Specified at each transaction	Monthly 45 days	1,096,058	8	-
	Accton Technology Co., Ltd.	Held by the same ultimate holding company	Sale	880,022	1	75 days after the delivery date	Specified at each transaction	75 days after the delivery date	533,938	4	-
Edgecore Networks Corporation	Edgecore Americas Networking Corp.	Subsidiary	Sale	1,685,957	2	75 days after the invoice date	Specified at each transaction	75 days after the invoice date	509,543	4	-
Accton Technology Co., Ltd.	MuXi Technology Co., Ltd.	Subsidiary	Sale	118,865	-	Monthly 45 days	Specified at each transaction	Monthly 45 days	1,402	-	-

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, 2022

(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	\$ 2,891,168	3.17	\$ 1,570,337	Strengthen collection	\$ 1,390,667	\$ -
	Joy Technology (Shenzhen) Co., Ltd.	Indirect subsidiary	381,570	Note 2	-	-	-	-
	Edgecore Networks Corp.	Subsidiary	212,134	24.27	-	-	-	-
Joy Technology (Shenzhen) Co., Ltd.	Accton Technology Corporation	Ultimate parent company	4,918,319	3.14	2,609,981	Strengthen collection	1,483,912	-
	MuXi Technology Co., Ltd.	Held by the same ultimate holding company	1,096,058	4.01	169,863	Strengthen collection	169,863	-
	Accton Technology Co., Ltd.	Held by the same ultimate holding company	534,294	0.92	243,563	Strengthen collection	171,580	-
Edgecore Networks Corp.	Edgecore Americas Networking Corp.	Subsidiary	510,205	3.18	346,758	Strengthen collection	346,758	-
Accton Technology Co., Ltd.	Joy Technology (Shenzhen) Co., Ltd.	Held by the same ultimate holding company	655,254	-	-	-	-	-
MuXi Technology Co., Ltd.	Joy Technology (Shenzhen) Co., Ltd.	Held by the same ultimate holding company	148,175	-	-	-	-	-

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.

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEARS ENDED DECEMBER 31, 2022  
(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	\$ 9,197,917	Note 1	12%	
	Edgecore Networks Corp.	1	Sales	3,216,436	Note 1	4%	
	Accton Logistics Corp.	1	Sales	113,281	Note 1	-	
	SMC Networks Inc.	1	Sales	75,604	Note 1	-	
	ATAN NetworKs Co., Ltd.	1	Sales	41,111	Note 1	-	
	Accton Technology Co., Ltd.	1	Sales	10,781	Note 1	-	
	Joy Technology (Shenzhen) Co., Ltd.	1	Purchases and processing	13,014,783	Note 1	17%	
	SMC Networks Inc.	1	Purchases and processing	27,943	Note 1	-	
	Accton Technology Co., Ltd.	1	Purchases and processing	13,511	Note 1	-	
	Edgecore Americas Networking Corp.	1	Purchases and processing	8,863	Note 1	-	
	Edgecore Networks Corp.	1	Purchases and processing	3,130	Note 1	-	
	Accton Technology Corp. USA	1	Operating expenses	165,983	Note 1	-	
	Accton Global, Inc.	1	Trade receivables from related parties	2,890,302	Note 2	6%	
	Edgecore Networks Corp.	1	Trade receivables from related parties	159,812	Note 2	-	
	Accton Logistics Corp.	1	Trade receivables from related parties	26,091	Note 2	-	
	SMC Networks Inc.	1	Trade receivables from related parties	22,689	Note 2	-	
	ATAN NetworKs Co., Ltd.	1	Trade receivables from related parties	4,857	Note 2	-	
	Joy Technology (Shenzhen) Co., Ltd.	1	Other receivables from related parties	381,570	Note 2	1%	
	Edgecore Networks Corp.	1	Other receivables from related parties	52,322	Note 2	-	
	Joy Technology (Shenzhen) Co., Ltd.	1	Trade payables to related parties	4,917,062	Note 1	11%	
	Accton Technology Corp. USA	1	Other payables to related parties	170,990	Note 1	-	
	SMC Networks Inc.	1	Other payables to related parties	4,014	Note 1	-	
	Joy Technology (Shenzhen) Co., Ltd.	MuXi Technology Co., Ltd.	3	Sales	6,255,633	Note 1	8%
		Accton Technology Co., Ltd.	3	Sales	880,022	Note 1	1%
		ATAN NetworKs Co., Ltd.	3	Sales	9,815	Note 1	-
		ATAN NetworKs Co., Ltd.	3	Purchases and processing	8,572	Note 1	-
		MuXi Technology Co., Ltd.	3	Trade receivables from related parties	1,096,058	Note 1	2%
Accton Technology Co., Ltd.		3	Trade receivables from related parties	533,938	Note 1	1%	
ATAN NetworKs Co., Ltd.		3	Trade receivables from related parties	11,088	Note 1	-	
Accton Technology Co., Ltd.		3	Trade payables to related parties	655,108	Note 1	1%	
MuXi Technology Co., Ltd.		3	Trade payables to related parties	148,142	Note 1	-	
Edgecore Networks Corp.		3	Other payables to related parties	10,811	Note 1	-	
ATAN NetworKs Co., Ltd.		3	Other payables to related parties	8,572	Note 1	-	
Edgecore Networks Corp.	Edgecore Americas Networking Corp.	3	Sales	1,685,957	Note 1	2%	
	Accton Technology Co., Ltd.	3	Purchases and processing	5,487	Note 1	-	
	Edgecore Networks Singapore Pte. Ltd.	3	Operating expenses	17,257	Note 1	-	

(Continued)

Company Name	Counterparty	Nature of Relationship (Note 3)	Intercompany Transactions			
			Financial Statements Items	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets
Edgecore Networks Corp.	Edgecore Americas Networking Corp.	3	Operating expenses	\$ 15,912	Note 1	-
	Edgecore Americas Networking Corp.	3	Trade receivables from related parties	509,543	Note 1	1%
Accton Technology Co., Ltd.	ATAN NetworKs Co., Ltd.	3	Trade receivables from related parties	26,738	Note 1	-
	MuXi Technology Co., Ltd.	3	Sales	118,865	Note 1	-
	MuXi Technology Co., Ltd.	3	Purchases and processing	88,478	Note 1	-
	ATAN NetworKs Co., Ltd.	3	Trade receivables from related parties	32,918	Note 1	-
	MuXi Technology Co., Ltd.	3	Trade payables to related parties	78,750	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)

## ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES (EXCLUDING ANY INVESTEEES COMPANY IN MALNLAND CHINA )  
 FOR THE YEAR ENDED DECEMBER 31, 2022  
 (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, 2022			Net Income (Loss) of the Investee	Investment Gain (Loss) Recognized	Note
				December 31, 2022	December 31, 2021	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	\$5,142,316	\$ 443,999	\$ 441,191	Notes 1 and 2
	Edgecore Networks Corp.	Hsinchu	Research, development, design, manufacture and selling of switching hubs	650,000	650,000	50,000	100	1,713,069	717,575	717,575	Note 1
	SMC Networks Inc.	USA	Sale of network products	769,644	769,644	24,149	100	105,799	301	301	Note 1
	Accton Technology (China) Co., Ltd.	Cayman Islands	Investment holding company	279,635	279,635	6,600	100	104,607	56,602	56,602	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	187,046	2,597	2,597	Note 1
	Accton Investment Corp.	British Virgin Islands	Investment holding company	79,676	79,676	1,004	100	255,112	(15,053)	(28,309)	Note 1
	Accton Logistics Corp.	USA	Selling and marketing of high-quality LAN hardware and software products	89,267	89,267	1	100	112,026	1,757	1,757	Note 1
	Accton Global, Inc.	USA	Selling and marketing of high-quality LAN hardware and software products	35,316	35,316	10	100	(162,138)	14,483	14,483	Note 1
	Nocsys Inc.	Cayman Islands	Investment holding company	199,434	199,434	50,000	100	2,817	172	172	Note 1
	E-Direct Corp.	Taipei	Provides services in information software and information technology	43,075	43,075	3,852	100	86,539	22,933	22,933	Note 1
	Metalligence Technology Corp.	Taipei	Provides e-commerce apps, information software and advertising services	5,000	5,000	50	20	-	-	-	Note 3
	CheerLife Technology Corp.	Taipei	Provides e-commerce apps, information software and advertising services	-	-	7	20	-	-	-	Notes 3 and 8
	Oenix Biomed Co., Ltd.	Taipei	Research and development of health care services and equipment	20,000	20,000	2,000	40	10,387	(2,849)	(1,139)	Note 1
Vietnam Accton Technology Co., Ltd.	Vietnam	Research, development, design, manufacture and selling of switching hubs	372,775	-	-	100	358,557	(8,927)	(8,927)	Notes 1 and 4	
Accton Century Holding (BVI) Co., Ltd.	Accton Asia Investments Corp.	British Virgin Islands	Investment holding company	1,293,075 (USD 42,106)	1,293,075 (USD 42,106)	42,106	100	5,073,381	434,305	434,305	Note 1

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Loss) of the Investee	Investment Gain (Loss) Recognized	Note
				December 31, 2022	December 31, 2021	Number of Shares (Thousands)	% of Ownership	Carrying Amount			
Edgecore Networks Corp.	Edgecore Networks Singapore Pte. Ltd.	Singapore	Selling and marketing of high-quality LAN hardware and software products	\$ 22,466	\$ 22,466	3,557	100	\$ 29,273	\$ 1,574	\$ 1,574	Note 1
	Edgecore Cayman Corp.	Cayman Islands	Investment holding company	-	30,285	-	-	-	26,567	26,567	Notes 1 and 5
	Edgecore Americas Networking Corp.	USA	Selling and marketing of high-quality LAN hardware and software products	18,733 (USD 610)	-	10	100	71,269	80,131	53,664	Notes 1 and 6
	Edgecore Networks India Pvt. Ltd.	India	Research, development, design, manufacture and selling of switching hubs	15,039	-	3,885	100	13,760	(680)	(680)	Notes 1 and 7
Edgecore Cayman Corp.	Edgecore Americas Networking Corp.	USA	Selling and marketing of high-quality LAN hardware and software products	-	307 (USD 10)	-	-	-	80,131	26,467	Notes 1 and 6

Note 1: Based on audited financial statements.

Note 2: After adjustment of gains or losses from related parties.

Note 3: Recognized an impairment loss.

Note 4: Accton Vietnam completed its registration of establishment in October 2022.

Note 5: Edgecore Cayman completed its liquidation in September 2022.

Note 6: In May 2022, for organizational structuring, Edgecore Networks acquired 100% of Edgecore Americas's shares which were held by Edgecore Cayman.

Note 7: Edgecore India completed its registration of establishment in July 2022.

Note 8: Metalligence Technology Corp., due to the operational needs, carried out organizational restructuring in 2022 to improve business performance and demerged with "CheerLife Technology Corp." on August 25, 2022, which was the record date for the demerger. In November 2022, CheerLife Technology Corp. completed the change of its registration. After the demerger, the Company held 20% shareholding of CheerLife Technology Corp.

(Concluded)

## ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
(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, 2022 (Note 2)	Investment Flows		Accumulated Outflow Remittance for Investment from Taiwan as of December 31, 2022 (Note 2)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022 (Note 2)	Note
					Outflow	Inflow							
Joy Technology (Shenzhen) Co., Ltd.	Selling and producing of high-end network switches	\$ 1,366,595 (USD 44,500)	Note 1	\$ 629,555 (USD 20,500)	\$ -	\$ -	\$ 629,555 (USD 20,500)	\$ 439,736	100%	\$ 439,736	\$ 5,053,140	\$ 506,715 (USD 16,500)	Note 3
Accton Technology Co., Ltd.	Sale of network products	184,260 (USD 6,000)	Note 1	184,260 (USD 6,000)	-	-	184,260 (USD 6,000)	55,905	100%	50,905	97,552	-	Note 3
Noctilucent Systems (Shanghai) Limited	Development, design and manufacture of software, selling product and consultation and service of technique	153,550 (USD 5,000)	Note 1	210,673 (USD 6,567)	-	-	210,673 (USD 6,567)	-	-	-	-	-	Notes 5 and 8
ATAN NetworKs Co., Ltd.	Sale of network products	95,201 (USD 3,100)	Note 10	95,201 (USD 3,100)	-	-	95,201 (USD 3,100)	(23,004)	100%	(23,004)	(12,019)	-	Notes 3 and 10
MuXi Technology Co., Ltd.	Sale of network products	4,409 (RMB 1,000)	Note 11	-	-	-	-	(4,984)	100%	(4,984)	12,802	-	Notes 3 and 11

Investee Company	Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by the Investment Commission, MOEA	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)	\$ 12,256,897
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, 2022.

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.

(Continued)

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.

(Concluded)

**TABLE 10****ACCTON TECHNOLOGY CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS****DECEMBER 31, 2021**

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<b>Name of Major Shareholder</b>	<b>Shares</b>	
	<b>Number of Shares</b>	<b>Percentage of Ownership (%)</b>
Golden Tengis 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, 2022 and 2021, 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, 2022 and 2021, 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 the Standards on Auditing of 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, 2022. 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, 2022 are stated as follows:

##### Revenue recognition

For the year ended December 31, 2022, the Company's net operating revenue was NT\$69,432,481 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 2021. 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 Standards on Auditing of 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 Standards on Auditing of 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, 2022 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 9, 2023

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, 2022 AND 2021  
(In Thousands of New Taiwan Dollars)

ASSETS	2022		2021		LIABILITIES AND EQUITY	2022		2021	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 4, 6 and 30)	\$ 4,745,645	10	\$ 2,437,668	7	Contract liabilities - current (Notes 4 and 22)	\$ 828,111	2	\$ 798,098	3
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 30)	203,999	1	15,011	-	Trade payables (Note 30)	9,508,883	20	7,034,961	22
Financial assets at fair value through other comprehensive income - current (Notes 4, 8 and 30)	153,308	-	208,743	1	Trade payables to related parties (Notes 30 and 31)	4,917,929	11	3,383,679	10
Financial assets at amortized cost - current (Notes 4, 9 and 30)	5,727,415	12	324,966	1	Accrued compensation of employees and remuneration of directors (Note 23)	1,348,652	3	916,243	3
Trade receivables (Notes 4, 5, 10, 22 and 30)	10,165,896	22	6,443,807	20	Payables to contractors and equipment suppliers (Note 30)	55,645	-	72,956	-
Receivables from related parties (Notes 4, 5, 30 and 31)	2,941,831	6	3,036,042	9	Other payables (Notes 18 and 30)	2,152,267	5	1,639,739	5
Other receivables, net (Notes 4, 10 and 30)	517,587	1	334,954	1	Other payables to related parties (Notes 30 and 31)	177,347	-	141,982	-
Other receivables from related parties (Notes 4, 30 and 31)	439,197	1	508,864	2	Income tax payable (Notes 4 and 24)	1,931,893	4	1,075,238	3
Inventories (Notes 4, 5 and 11)	10,020,343	22	10,202,350	31	Provisions - current (Notes 4 and 19)	260,694	1	99,322	-
Prepayments (Notes 16 and 31)	265,189	1	152,821	-	Lease liabilities - current (Notes 4 and 14)	116,688	-	113,482	-
Other current assets-other (Note 16)	772	-	3,247	-	Deferred revenue - current (Notes 17 and 27)	8,838	-	11,075	-
					Long-term borrowings - current portion (Notes 17, 27 and 30)	925,558	2	175,325	1
Total current assets	<u>35,181,182</u>	<u>76</u>	<u>23,668,473</u>	<u>72</u>	Refund liabilities - current (Note 22)	70,172	-	37,900	-
					Total current liabilities	<u>22,302,677</u>	<u>48</u>	<u>15,500,000</u>	<u>47</u>
<b>NON-CURRENT ASSETS</b>					<b>NON-CURRENT LIABILITIES</b>				
Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 30)	84,527	-	101,828	-	Long-term borrowings (Notes 17, 27 and 30)	2,605,332	6	1,003,418	3
Investments accounted for using the equity method (Notes 4, 12 and 31)	8,078,275	18	6,632,193	20	Deferred income tax liabilities (Notes 4 and 24)	268,380	-	-	-
Property, plant and equipment (Notes 4, 13 and 31)	1,489,005	3	1,104,885	4	Lease liabilities - non-current (Notes 4 and 14)	935,517	2	569,180	2
Right-of-use assets (Notes 4 and 14)	1,292,564	3	791,669	3	Deferred revenue - non-current (Notes 17 and 27)	15,703	-	37,019	-
Intangible assets (Notes 4, 15 and 31)	139,524	-	82,552	-	Net defined benefit liabilities - non-current (Notes 4 and 20)	7,726	-	29,782	-
Deferred income tax assets (Notes 4 and 24)	147,370	-	19,425	-	Guarantee deposits (Note 30)	816	-	816	-
Prepayments for equipment	9,016	-	21,133	-	Total non-current liabilities	<u>3,833,474</u>	<u>8</u>	<u>1,640,215</u>	<u>5</u>
Refundable deposits (Note 30)	33,391	-	36,593	-	Total liabilities	<u>26,136,151</u>	<u>56</u>	<u>17,140,215</u>	<u>52</u>
Other non-current assets-other (Notes 16, 32 and 33)	109,458	-	234,415	1	<b>EQUITY (Notes 4, 21 and 26)</b>				
Total non-current assets	<u>11,383,130</u>	<u>24</u>	<u>9,024,693</u>	<u>28</u>	Share capital				
					Ordinary shares	5,601,399	12	5,599,204	17
					Capital surplus	857,568	2	843,580	3
					Retained earnings				
					Legal reserve	2,818,364	6	2,347,651	7
					Special reserve	494,541	1	473,221	2
					Unappropriated earnings	11,169,304	24	6,834,835	21
					Total retained earnings	14,482,209	31	9,655,707	30
					Other equity	(462,016)	(1)	(494,541)	(2)
					Treasury shares	(50,999)	-	(50,999)	-
					Total equity	<u>20,428,161</u>	<u>44</u>	<u>15,552,951</u>	<u>48</u>
<b>TOTAL</b>	<u>\$ 46,564,312</u>	<u>100</u>	<u>\$ 32,693,166</u>	<u>100</u>	<b>TOTAL</b>	<u>\$ 46,564,312</u>	<u>100</u>	<u>\$ 32,693,166</u>	<u>100</u>

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

# ACCTON TECHNOLOGY CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 22 and 31)	\$69,432,481	100	\$49,319,186	100
OPERATING COSTS (Notes 4, 11, 20, 23 and 31)	<u>55,789,511</u>	<u>81</u>	<u>40,679,451</u>	<u>83</u>
GROSS PROFIT	13,642,970	19	8,639,735	17
(UNREALIZED) REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Note 4)	<u>(158,201)</u>	<u>-</u>	<u>348,483</u>	<u>1</u>
REALIZED GROSS PROFIT	<u>13,484,769</u>	<u>19</u>	<u>8,988,218</u>	<u>18</u>
OPERATING EXPENSES (Notes 4, 10, 20, 23, 31 and 34)				
Selling and marketing	1,241,976	2	1,015,506	2
General and administrative	1,662,372	2	1,291,755	2
Research and development	2,240,436	3	1,832,719	4
Expected credit loss	<u>174</u>	<u>-</u>	<u>45</u>	<u>-</u>
Total operating expenses	<u>5,144,958</u>	<u>7</u>	<u>4,140,025</u>	<u>8</u>
OPERATING INCOME	<u>8,339,811</u>	<u>12</u>	<u>4,848,193</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 12, 23 and 31)				
Interest income	129,639	-	14,660	-
Other income	68,460	-	120,256	1
Other gains and losses	273,474	-	56,267	-
Finance costs	(55,140)	-	(31,284)	-
Share of profit of subsidiaries and associates	<u>1,219,236</u>	<u>2</u>	<u>583,567</u>	<u>1</u>
Total non-operating income and expenses	<u>1,635,669</u>	<u>2</u>	<u>743,466</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	9,975,480	14	5,591,659	12
INCOME TAX EXPENSE (Notes 4 and 24)	<u>1,809,668</u>	<u>2</u>	<u>886,600</u>	<u>2</u>
NET INCOME FOR THE YEAR	<u>8,165,812</u>	<u>12</u>	<u>4,705,059</u>	<u>10</u>

(Continued)

# ACCTON TECHNOLOGY CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
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	\$ 20,266	-	\$ (1,527)	-
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income	(57,905)	-	32,033	-
Share of the other comprehensive loss of subsidiaries accounted for using the equity method	(31,751)	-	(10,464)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>122,181</u>	<u>-</u>	<u>(39,289)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>52,791</u>	<u>-</u>	<u>(19,247)</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 8,218,603</u>	<u>12</u>	<u>\$ 4,685,812</u>	<u>10</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 14.64</u>		<u>\$ 8.44</u>	
Diluted	<u>\$ 14.45</u>		<u>\$ 8.36</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, 2022 AND 2021 (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 Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2021	\$ 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
Adjustments to capital surplus due to the distribution of cash dividends to subsidiaries	-	13,256	-	-	-	-	-	-	13,256
Appropriation of 2021 earnings									
Legal reserve	-	-	470,713	-	(470,713)	-	-	-	-
Special reserve	-	-	-	21,320	(21,320)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(3,359,576)	-	-	-	(3,359,576)
Net profit for the year ended December 31, 2022	-	-	-	-	8,165,812	-	-	-	8,165,812
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	20,266	122,181	(89,656)	-	52,791
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	8,186,078	122,181	(89,656)	-	8,218,603
Share-based payment arrangements	2,195	732	-	-	-	-	-	-	2,927
BALANCE AT DECEMBER 31, 2022	\$ 5,601,399	\$ 857,568	\$ 2,818,364	\$ 494,541	\$ 11,169,304	\$ (371,447)	\$ (90,569)	\$ (50,999)	\$ 20,428,161

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

# ACCTON TECHNOLOGY CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 9,975,480	\$ 5,591,659
Adjustments for:		
Depreciation expense	565,628	496,306
Amortization expense	43,689	36,197
Expected credit loss	174	45
Net loss (profit) on fair value charges of financial assets designated as at fair value through profit or loss	16,281	(49,449)
Finance costs	55,140	31,284
Interest income	(129,639)	(14,660)
Dividend income	(10,995)	(9,003)
Dividends received from investments accounted for using the equity method	221,515	163,037
Share of profit of subsidiaries and associates	(1,219,236)	(583,567)
(Gain) loss on disposal of property, plant and equipment, net	(251)	10
Write-downs of inventories	214,070	7,381
Unrealized (realized) gain on the transactions with subsidiaries	158,201	(348,483)
Unrealized loss on foreign currency exchange	160,182	71,032
Amortization of grant revenue	(8,838)	(11,075)
Gain on lease modification	(1)	(212)
Changes in operating assets and liabilities		
Trade receivables, net	(3,846,938)	36,028
Receivables from related parties	(37,578)	1,736,977
Other receivables	(153,199)	(39,248)
Other receivables from related parties	67,429	(48,191)
Inventories	(32,063)	(4,769,360)
Prepayments	(112,368)	(19,184)
Other current assets	2,471	(49,949)
Contract liabilities	30,013	(116,258)
Trade payables	2,591,256	1,189,442
Trade payables to related parties	1,559,102	(1,920,290)
Accrued compensation of employees and remuneration of directors	432,409	63,416
Other payables	487,212	(307,644)
Other payables to related parties	29,126	(11,909)
Provisions	161,372	18,098
Refund liabilities	32,272	21,295
Net defined benefit liabilities	(1,790)	(860)
Cash generated from operations	11,250,126	1,162,865
Interest paid	(41,815)	(16,001)
Income tax paid	(812,578)	(1,051,210)
Net cash generated from operating activities	<u>10,395,733</u>	<u>95,654</u>

(Continued)

# ACCTON TECHNOLOGY CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	\$ (2,470)	\$ (46,147)
Proceeds from sale of financial assets at fair value through other comprehensive income	-	6,384
Purchase of financial assets at amortized cost	(5,835,575)	(5,781,620)
Proceeds from sale of financial assets at amortized cost	327,297	8,287,451
Purchase of financial assets at fair value through profit or loss	(763,980)	(460,000)
Proceeds from sale of financial assets at fair value through profit or loss	576,012	2,403,568
Acquisition of subsidiary	(372,775)	-
Increase in prepayments for investment	(30,039)	-
Acquisition of property, plant and equipment	(789,407)	(346,123)
Proceeds from disposal of property, plant and equipment	363	444
Decrease in refundable deposits	3,202	5,233
Acquisition of intangible assets	(100,661)	(47,816)
Acquisition of right-of-use assets	-	(155,000)
Interest received	89,634	7,519
Dividends received	<u>10,995</u>	<u>9,003</u>
Net cash (used in) generated from investing activities	<u>(6,887,404)</u>	<u>3,882,896</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	776,886	600,000
Repayments of short-term borrowings	(776,886)	(600,000)
Proceeds from long-term borrowings	2,500,000	-
Repayments of long-term borrowings	(175,325)	-
Repayment of the principal portion of lease liabilities	(141,850)	(232,523)
Dividends paid to owners of the Company	(3,359,576)	(3,636,538)
Employee share options	<u>2,927</u>	<u>6,379</u>
Net cash used in financing activities	<u>(1,173,824)</u>	<u>(3,862,682)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>		
	<u>(26,528)</u>	<u>18,924</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,307,977	134,792
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>2,437,668</u>	<u>2,302,876</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 4,745,645</u>	<u>\$ 2,437,668</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, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

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

The Company’s shares 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 9, 2023.

### 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 amendments to the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Company’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

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

Note 2: The amendments will be 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 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occurred on or after 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. The IFRSs in issue but not yet endorsed and issued into effect by the FSC

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date announced by IASB (Note 1)</u>
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
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
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, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact of the application of other standards and interpretations 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 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 that are measured at fair values and net defined benefit liabilities that 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 the 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 consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries and the related equity items, as appropriate, in these parent company only financial statements.

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the 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 recoverable amount of the cash-generating unit to which the asset belongs.

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

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

k. Financial instruments

Financial assets and financial liabilities are recognized when 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.

1. Provisions

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

Warranties

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

m. Revenue recognition

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

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 rereasurement) 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. Rereasurement, 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. Rereasurement 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 and its economic environment implications, inflation and interest rate fluctuations 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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Cash on hand	\$ 608	\$ 635
Checking accounts and demand deposits	1,971,184	1,434,552
Cash equivalents		
Time deposits with original maturities of less than 3 months	1,747,553	700,681
Repurchase agreements collateralized by bonds	<u>1,026,300</u>	<u>301,800</u>
	<u>\$ 4,745,645</u>	<u>\$ 2,437,668</u>

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Bank balance	0.001%-4.950 %	0.001%-2.650 %
Repurchase agreements collateralized by bonds	0.800%-4.700 %	0.180%-0.300 %

Cash and cash equivalents are assessed for impairment. The Company considers its cash and cash equivalents as low credit risk; thus, no allowance for impairment loss was recognized.

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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	<u>\$ 203,999</u>	<u>\$ 15,011</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>\$ 84,527</u>	<u>\$ 101,828</u>

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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Current</u>		
Domestic and foreign investments		
Listed shares and emerging market shares	<u>\$ 153,308</u>	<u>\$ 208,743</u>

The Company holds listed shares and emerging market shares of domestic and foreign for strategic purposes and expects to profit from the investment. 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 purposes.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Current</u>		
Time deposits with original maturity of more than 3 months	<u>\$ 5,727,415</u>	<u>\$ 324,906</u>

The ranges of interest rates for time deposits with original maturities of more than 3 months were 4.050%-5.340% and 0.170%-0.765% per annum as of December 31, 2022 and 2021, respectively.

Financial assets at amortized cost are assessed for impairment. The Company considers its financial assets at amortized cost as low credit risk; thus, no allowance for impairment loss was recognized.

## 10. TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 10,167,640	\$ 6,445,377
Less: Allowance for impairment loss	<u>(1,744)</u>	<u>(1,570)</u>
	<u>\$ 10,165,896</u>	<u>\$ 6,443,807</u>
<u>Other receivables</u>		
At amortized cost		
Gross carrying amount	\$ 520,633	\$ 338,000
Less: Allowance for impairment loss	<u>(3,046)</u>	<u>(3,046)</u>
	<u>\$ 517,587</u>	<u>\$ 334,954</u>

### a. 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 and its own historical transaction 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, 2022

	Not Past Due	1 to 60 Days Past Due	61 to 180 Days Past Due	Over 180 Days Past Due	Total
Gross carrying amount	\$ 9,750,320	\$ 417,320	\$ -	\$ -	\$ 10,167,640
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(1,744)</u>	<u>-</u>	<u>-</u>	<u>(1,744)</u>
Amortized cost	<u>\$ 9,750,320</u>	<u>\$ 415,576</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,165,896</u>

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)	<u>-</u>	<u>(1,570)</u>	<u>-</u>	<u>-</u>	<u>(1,570)</u>
Amortized cost	<u>\$ 6,415,375</u>	<u>\$ 28,432</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,443,807</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 1,570	\$ 1,525
Add: Amounts provisioned	<u>174</u>	<u>45</u>
Balance at December 31	<u>\$ 1,744</u>	<u>\$ 1,570</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 movements of the loss allowance of other receivables were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1 and December 31	<u>\$ 3,046</u>	<u>\$ 3,046</u>

As of December 31, 2022 and 2021, the amount of allowance losses did not include individual impairment of other receivables that were subject to risk control due to tight cash flow from customers.

**11. INVENTORIES**

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Merchandise	\$ 383,739	\$ 325,410

Finished goods	1,324,449	927,339
Work in progress	608,315	736,374
Raw materials	<u>7,703,840</u>	<u>8,213,227</u>
	<u>\$ 10,020,343</u>	<u>\$ 10,202,350</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 was \$55,789,511 thousand and \$40,679,451 thousand, respectively. The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 consisted an inventory write-down of \$214,070 thousand and \$7,381 thousand, respectively.

## 12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### a. Investments in subsidiaries

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Accton Century Holding (BVI) Co., Ltd.	\$ 5,142,316	\$ 4,635,365
Edgecore Networks Corp.	1,713,069	1,203,716
Vietnam Accton Technology Co., Ltd.	358,557	-
Accton Investment Corp.	255,112	270,165
Accton Technology Corp. USA	187,046	166,158
Accton Logistics Corp.	112,026	99,364
SMC Networks Inc.	105,799	110,759
Accton Technology (China) Co., Ltd.	104,607	49,899
E-Direct Corp.	86,539	82,596
Nocsys Inc.	2,817	2,645
Accton Global, Inc.	<u>(162,138)</u>	<u>(32,037)</u>
	7,905,750	6,588,630
Add: Trade receivables from related parties	<u>162,138</u>	<u>32,037</u>
	<u>\$ 8,067,888</u>	<u>\$ 6,620,667</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	
	2022	2021
Accton Century Holding (BVI) Co., Ltd.	100%	100%
Edgecore Networks Corp.	100%	100%
Vietnam Accton Technology Co., Ltd	100%	-
Accton Investment Corp.	100%	100%
Accton Technology Corp. USA	100%	100%
Accton Logistics Corp.	100%	100%
SMC Networks Inc.	100%	100%
Accton Technology (China) Co., Ltd.	100%	100%
E-Direct Corp.	100%	100%
Nocsys Inc.	100%	100%
Accton Global, Inc.	100%	100%

In October 2022, Vietnam Accton Technology Co., Ltd. completed its registration of establishment.

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, 2022 and 2021, the investment credits using the equity method, which were transferred to accounts receivable-related parties reduction, were \$162,138 thousand and \$32,037 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, 2022 and 2021 were calculated based on the financial statements of the investee companies which have been audited.

b. Investments in associates

	December 31	
	2022	2021
Oenix Biomed Co., Ltd.	<u>\$ 10,387</u>	<u>\$ 11,526</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	
	2022	2021
Oenix Biomed Co., Ltd.	40%	40%
Metalligence Technology Corp. (Note 1)	20%	20%
CheerLife Technology Corp. (Note 2)	20%	-

Note 1: Since November 2021, Metalligence Technology Corp. has been classified from being a 100% subsidiary into an associate.

Note 2: Metalligence Technology Corp., due to the operational needs, carried out organizational restructuring in 2022 to improve business performance and demerged with “CheerLife Technology Corp.” on August 25, 2022, which was the record date for the demerger. In November 2022, CheerLife Technology Corp. completed the change of its registration. After the demerger, the Company held 20% shareholding of CheerLife Technology Corp.

### 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	Construction in Progress	Total
<u>Cost</u>										
Balance at January 1, 2022	\$ 409,794	\$ 900,358	\$ 381,905	\$ 530,318	\$ 39,784	\$ 159,598	\$ 266,036	\$ 103,914	\$ -	\$ 2,791,707
Additions	8,813	196,392	82,510	34,240	-	13,398	13,595	16,800	418,613	784,361
Reductions	(12,543)	(3,185)	(1,916)	(2,297)	(4,105)	(5,744)	(39)	(1,981)	-	(31,810)
Balance at December 31, 2022	<u>\$ 406,064</u>	<u>\$ 1,093,565</u>	<u>\$ 462,499</u>	<u>\$ 562,261</u>	<u>\$ 35,679</u>	<u>\$ 167,252</u>	<u>\$ 279,592</u>	<u>\$ 118,733</u>	<u>\$ 418,613</u>	<u>\$ 3,544,258</u>
<u>Accumulated depreciation</u>										
Balance at January 1, 2022	\$ 284,526	\$ 458,130	\$ 242,124	\$ 394,951	\$ 29,745	\$ 83,938	\$ 121,466	\$ 71,942	\$ -	\$ 1,686,822
Additions	15,399	155,429	65,392	53,669	3,534	29,012	57,741	19,953	-	400,129
Reductions	(12,543)	(3,152)	(1,916)	(2,297)	(4,105)	(5,665)	(39)	(1,981)	-	(31,698)
Balance at December 31, 2022	<u>\$ 287,382</u>	<u>\$ 610,407</u>	<u>\$ 305,600</u>	<u>\$ 446,323</u>	<u>\$ 29,174</u>	<u>\$ 107,285</u>	<u>\$ 179,168</u>	<u>\$ 89,914</u>	<u>\$ -</u>	<u>\$ 2,055,253</u>
Carrying amount at December 31, 2022	<u>\$ 118,682</u>	<u>\$ 483,158</u>	<u>\$ 156,899</u>	<u>\$ 115,938</u>	<u>\$ 6,505</u>	<u>\$ 59,967</u>	<u>\$ 100,424</u>	<u>\$ 28,819</u>	<u>\$ 418,613</u>	<u>\$ 1,489,005</u>
<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>\$ -</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>\$ -</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>\$ -</u>	<u>\$ 1,104,885</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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Carrying amount</u>		
Land	\$ 1,115,374	\$ 503,524
Buildings	169,624	285,011
Transportation equipment	4,620	-
Other equipment	<u>2,946</u>	<u>3,134</u>
	<u>\$ 1,292,564</u>	<u>\$ 791,669</u>
	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Additions to right-of-use assets	<u>\$ 666,483</u>	<u>\$ 461,047</u>
Depreciation charge for right-of-use assets		
Land	\$ 27,727	\$ 11,513
Buildings	135,398	119,115
Transportation equipment	476	-
Other equipment	<u>1,898</u>	<u>818</u>
	<u>\$ 165,499</u>	<u>\$ 131,446</u>

### b. Lease liabilities

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Carrying amount</u>		
Current	<u>\$ 116,688</u>	<u>\$ 113,482</u>
Non-current	<u>\$ 935,517</u>	<u>\$ 569,180</u>

Range of discount rates for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Land	2.37%-2.80%	2.80%
Buildings	0.85%-2.20%	0.85%-2.20%
Transportation equipment	2.14%-2.77%	-
Other equipment	1.89%	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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Expenses relating to short-term leases	<u>\$ 25,634</u>	<u>\$ 27,586</u>
Total cash outflow for leases	<u>\$ 192,638</u>	<u>\$ 275,380</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

	<b>Technology License Fees</b>	<b>Computer Software</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2022	\$ -	\$ 130,847	\$ 130,847
Additions	1,680	98,981	100,661
Reductions	<u>-</u>	<u>(24,401)</u>	<u>(24,401)</u>
Balance at December 31, 2022	<u>\$ 1,680</u>	<u>\$ 205,427</u>	<u>\$ 207,107</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2022	\$ -	\$ 48,295	\$ 48,295
Additions	354	43,335	43,689
Reductions	<u>-</u>	<u>(24,401)</u>	<u>(24,401)</u>
Balance at December 31, 2022	<u>\$ 354</u>	<u>\$ 67,229</u>	<u>\$ 67,583</u>
Carrying amount at December 31, 2022	<u>\$ 1,326</u>	<u>\$ 138,198</u>	<u>\$ 139,524</u>

(Continued)

	<b>Technology License Fees</b>	<b>Computer Software</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2021	\$ 749	\$ 122,247	\$ 122,996
Additions	-	47,816	47,816
Reductions	<u>(749)</u>	<u>(39,216)</u>	<u>(39,965)</u>
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 130,847</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	<u>(749)</u>	<u>(39,216)</u>	<u>(39,965)</u>
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 48,295</u>	<u>\$ 48,295</u>
Carrying amount at December 31, 2021	<u>\$ -</u>	<u>\$ 82,552</u>	<u>\$ 82,552</u> (Concluded)

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

Technology license fees	3-5 years
Computer software	1-6 years

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

## 16. PREPAYMENTS AND OTHER ASSETS

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
<u>Current</u>		
Prepayments		
Excess VAT paid	\$ 208,747	\$ 105,053
Prepayments for software maintenance fees	41,347	23,485
Prepayments for purchases	34	2,542
Other	<u>15,061</u>	<u>21,741</u>
	<u>\$ 265,189</u>	<u>\$ 152,821</u>
Other current assets		
Temporary payments	<u>\$ 772</u>	<u>\$ 3,247</u>

(Continued)

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Non-current</u>		
Other Assets		
Pledged time deposits (Note 32)	\$ 79,419	\$ 79,415
Prepayments for investment	30,039	-
Prepayments for land use right	<u>-</u>	<u>155,000</u>
	<u>\$ 109,458</u>	<u>\$ 234,415</u> (Concluded)

## 17. BORROWINGS

### Long-term borrowings

The borrowings of the Company are as follows:

	<u>Maturity Date</u>	<u>Significant Covenant</u>	<u>December 31</u>	
			<u>2022</u>	<u>2021</u>
Unsecured bank borrowings	2026.06.15	From June 2022, 49 monthly payments of principal and interest	\$ 857,143	\$ 1,000,000
Unsecured bank borrowings	2026.04.15	From June 2022, 47 monthly payments of principal and interest	185,532	218,000
Unsecured bank borrowings	2024.08.29	From September 2023, 4 quarterly payments of principal and interest	<u>2,500,000</u>	<u>-</u>
Long-term borrowings			3,542,675	1,218,000
Less: Discounts on government grants (Note 27)			(11,785)	(39,257)
Less: Current portion			<u>(925,558)</u>	<u>(175,325)</u>
			<u>\$ 2,605,332</u>	<u>\$ 1,003,418</u>

The intervals of effective borrowing rates as of December 31, 2022 and 2021 were 0.475%-1.660% and 0%-0.10%, respectively.

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, 2022 and 2021, the Company had met the financial ratio covenants.

## 18. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Current</u>		
Other payables		
Temporary receipts from customers	\$ 758,378	\$ 496,958
Payable for salaries and bonuses	344,011	314,955
Temporary credit and agency receipt	57,939	89,160
Payable for insurance	52,757	44,252
Payable for service	29,955	28,833
Payable for import/export	28,959	32,100
Others	<u>880,268</u>	<u>633,481</u>
	<u>\$ 2,152,267</u>	<u>\$ 1,639,739</u>

## 19. PROVISIONS

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Warranties	<u>\$ 260,694</u>	<u>\$ 99,322</u>
<u>In 2021</u>		<b>Warranties</b>
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>
<u>In 2022</u>		<b>Warranties</b>
Balance at January 1, 2022		\$ 99,322
Additional provisions recognized		271,897
Amount used		<u>(110,525)</u>
Balance at December 31, 2022		<u>\$ 260,694</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:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Present value of defined benefit obligation	\$ 281,957	\$ 294,233
Fair value of plan assets	<u>(274,231)</u>	<u>(264,451)</u>
Net defined benefit liabilities	<u>\$ 7,726</u>	<u>\$ 29,782</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2022	<u>\$ 294,233</u>	<u>\$(264,451)</u>	<u>\$ 29,782</u>
Service cost			
Current service cost	762	-	762
Net interest expense (income)	<u>2,199</u>	<u>(1,983)</u>	<u>216</u>
Recognized in profit or loss	<u>2,961</u>	<u>(1,983)</u>	<u>978</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(20,752)	(20,752)
Actuarial loss - experience adjustments	<u>486</u>	<u>-</u>	<u>486</u>
Recognized in other comprehensive loss (income)	<u>486</u>	<u>(20,752)</u>	<u>(20,266)</u>
Contributions from the employer	<u>-</u>	<u>(2,768)</u>	<u>(2,768)</u>
Benefits paid	<u>(15,723)</u>	<u>15,723</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 281,957</u>	<u>\$(274,231)</u>	<u>\$ 7,726</u>
Balance at January 1, 2021	<u>\$ 294,922</u>	<u>\$(265,807)</u>	<u>\$ 29,115</u>
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 loss (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>

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Operating costs	\$ 69	\$ 57
Selling and marketing expenses	124	119
General and administrative expenses	395	467
Research and development expenses	<u>390</u>	<u>395</u>
	<u>\$ 978</u>	<u>\$ 1,038</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:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rates	1.25%	0.75%
Expected rates of salary increase	4.00%	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:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rates		
0.25% increase	<u>\$ (5,998)</u>	<u>\$ (7,009)</u>
0.25% decrease	<u>\$ 6,199</u>	<u>\$ 7,265</u>
Expected rates of salary increase		
1.00% increase	<u>\$ 25,099</u>	<u>\$ 29,533</u>
1.00% decrease	<u>\$(22,496)</u>	<u>\$(26,180)</u>

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Expected contributions to the plans for the next year	<u>\$ 2,768</u>	<u>\$ 1,898</u>
Average duration of the defined benefit obligation	11 years	12 years

## 21. EQUITY

### a. Ordinary shares

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
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>560,140</u>	<u>559,920</u>
Issued capital	<u>\$ 5,601,399</u>	<u>\$ 5,599,204</u>

A holder of issued ordinary shares with par value of \$10 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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance ordinary shares	\$ 537,846	\$ 537,114
Treasury share transactions	83,393	70,137
Employee share options	220,988	219,717
<u>May only be used to offset a deficit</u>		
Changes in percentage of ownership interests in subsidiaries (2)	8,113	8,113
<u>May not be used for any purpose</u>		
Employee share options	<u>7,228</u>	<u>8,499</u>
	<u>\$ 857,568</u>	<u>\$ 843,580</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, 2022 and 2021, 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, 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>
Balance at January 1, 2022	\$ 537,114	\$ 70,137	\$ 219,717	\$ 8,113	\$ 8,499
Employee share options exercised	732	-	1,075	-	(1,075)
Employee share options expired	-	-	196	-	(196)
Cash dividends received by subsidiaries from parent company	-	13,256	-	-	-
Balance at December 31, 2022	<u>\$ 537,846</u>	<u>\$ 83,393</u>	<u>\$ 220,988</u>	<u>\$ 8,113</u>	<u>\$ 7,228</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 2021 and 2020, which were approved in the shareholders' meetings on June 16, 2022 and July 8, 2021, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For Year 2021</b>	<b>For Year 2020</b>	<b>For Year 2021</b>	<b>For Year 2020</b>
Legal reserve	\$ 470,713	\$ 504,445	\$ -	\$ -
(Reversal of) special reserve	21,320	(65,023)	-	-
Cash dividends	3,359,576	3,636,538	5.9987	6.4956

The appropriations of earnings for 2022 were proposed by the Company's board of directors on March 9, 2023. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 818,608	\$ -
Reversal of special reserve	(32,525)	-
Cash dividends	4,201,117	7.5

The appropriations of earnings for 2022 are subject to the resolution of the shareholders' meeting to be held on June 15, 2023.

d. Special reserves

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 473,221	\$ 538,244
Appropriations (reversal of) in respect of Debits to other equity items	<u>21,320</u>	<u>(65,023)</u>
Balance at December 31	<u>\$ 494,541</u>	<u>\$ 473,221</u>

e. Other equity items

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$(493,628)	\$(454,339)
Recognized for the year Exchange differences on the translation of the financial statements of foreign operations	<u>122,181</u>	<u>(39,289)</u>
Balance at December 31	<u>\$(371,447)</u>	<u>\$(493,628)</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ (913)	\$(18,882)
Recognized for the year		
Unrealized (loss) gain - equity instruments	(89,656)	21,569
Reclassification adjustments		
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	<u>-</u>	<u>(3,600)</u>
Balance at December 31	<u><b>\$(90,569)</b></u>	<u><b>\$ (913)</b></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, 2022</u>			
Accton Investment	2,210	<u>\$ 50,999</u>	<u>\$ 518,214</u>
<u>December 31, 2021</u>			
Accton Investment	2,210	<u>\$ 50,999</u>	<u>\$ 574,565</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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Revenue from the sale of goods	<u>\$ 69,432,481</u>	<u>\$ 49,319,186</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, 2022 and 2021, for information on the refund liability which amounted to \$70,172 thousand and \$37,900 thousand, respectively.

b. Contact balances

	<b>December 31, 2022</b>	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Trade receivables (Note 10)	<u>\$ 10,165,896</u>	<u>\$ 6,443,807</u>	<u>\$ 6,426,493</u>
Contract liabilities - current			
Sale of goods	<u>\$ 828,111</u>	<u>\$ 798,098</u>	<u>\$ 914,356</u>

As of December 31, 2022 and 2021, the sales of goods from contract liabilities amounted to \$94,137 thousand and \$298,261 thousand, respectively.

c. Disaggregation of revenue

	<b><u>For the Year Ended December 31</u></b>	
	<b>2022</b>	<b>2021</b>
<u>Product</u>		
Switch	\$ 39,461,119	\$ 28,401,153
Network Application	20,014,075	11,271,972
Metro Access Switch	7,089,122	7,261,992
Other	1,878,123	1,639,618
Wireless	<u>990,042</u>	<u>744,451</u>
	<u>\$ 69,432,481</u>	<u>\$ 49,319,186</u>
<u>Location</u>		
America	\$ 49,779,938	\$ 32,600,896
Europe	13,048,712	12,106,996
Taiwan (location of the Company)	3,844,844	2,298,889
Asia	2,753,703	2,311,266
Other	<u>5,284</u>	<u>1,139</u>
	<u>\$ 69,432,481</u>	<u>\$ 49,319,186</u>

## 23. NET PROFIT

Net profit attributable to:

a. Interest income

	<b><u>For the Year Ended December 31</u></b>	
	<b>2022</b>	<b>2021</b>
Bank deposits	\$ 129,554	\$ 14,575
Others	<u>85</u>	<u>85</u>
	<u>\$ 129,639</u>	<u>\$ 14,660</u>

b. Other income

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Grant income (Note 27)	\$ 22,168	\$ 11,075
Dividends	10,995	9,003
Others	<u>35,297</u>	<u>100,178</u>
	<u>\$ 68,460</u>	<u>\$ 120,256</u>

c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Net foreign exchange gains (losses)	\$ 289,754	\$ 6,606
Gain on lease modification	1	212
Net (loss) gain on fair value changes of financial assets Financial assets mandatorily classified as at FVTPL	<u>(16,281)</u>	<u>49,449</u>
	<u>\$ 273,474</u>	<u>\$ 56,267</u>

d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Interest on bank loans	\$ 27,884	\$ 16,013
Interest on lease liabilities	25,154	15,271
Others	<u>2,102</u>	<u>-</u>
	<u>\$ 55,140</u>	<u>\$ 31,284</u>

e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
An analysis of depreciation by function		
Operating costs	\$ 294,592	\$ 265,069
Operating expenses	<u>271,036</u>	<u>231,237</u>
	<u>\$ 565,628</u>	<u>\$ 496,306</u>
An analysis of amortization by function		
Operating costs	\$ 6,284	\$ 5,456
Operating expenses	<u>37,405</u>	<u>30,741</u>
	<u>\$ 43,689</u>	<u>\$ 36,197</u>

f. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Short-term benefits	\$ 4,426,637	\$ 3,483,603
Post-employment benefits (Note 20)		
Defined contribution plan	105,835	95,115
Defined benefit plans	<u>978</u>	<u>1,038</u>
Total employee benefits expense	<u>\$ 4,533,450</u>	<u>\$ 3,579,756</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 1,221,843	\$ 1,061,472
Operating expenses	<u>3,311,607</u>	<u>2,518,284</u>
	<u>\$ 4,533,450</u>	<u>\$ 3,579,756</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, 2022 and 2021, which were approved by the Company's board of directors on March 9, 2023 and March 17, 2022, respectively, were as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Compensation of employees	11.25%	11.25%
Remuneration of directors	0.4%	0.6%

Amount

	<b>For the Year Ended December 31</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Cash</b>	<b>Share</b>	<b>Cash</b>	<b>Share</b>
Compensation of employees	<u>\$1,269,568</u>	\$ -	<u>\$ 713,872</u>	\$ -
Remuneration of directors	<u>\$ 40,000</u>	-	<u>\$ 40,000</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, 2021 and 2020.

Information on compensation of employees and remuneration of directors resolved by the Company's board of directors in 2022 and 2021 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:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Current tax		
In respect of the current year	\$ 1,595,960	\$ 775,453
Income tax on unappropriated earnings	32,322	43,132
Adjustments for prior years	40,951	12,525
Deferred tax		
In respect of the current year	<u>140,435</u>	<u>55,490</u>
Income tax expense recognized in profit or loss	<u>\$ 1,809,668</u>	<u>\$ 886,600</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Profit before tax	<u>\$ 9,975,480</u>	<u>\$ 5,591,659</u>
Income tax expense calculated at the statutory rate	\$ 1,995,096	\$ 1,118,332
Income tax on unappropriated earnings	42,776	48,424
Nondeductible expenses in determining taxable income	(148,608)	(202,559)
Investment tax credits used	(120,547)	(90,122)
Adjustments for prior years' tax	<u>40,951</u>	<u>12,525</u>
Income tax expense recognized in profit or loss	<u>\$ 1,809,668</u>	<u>\$ 886,600</u>

b. Current tax liabilities

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Current tax liabilities		
Income tax payable	<u>\$ 1,931,893</u>	<u>\$ 1,075,238</u>

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2022

	<b>Balance, at Beginning of Year</b>	<b>Recognized in Profit or Loss</b>	<b>Balance, at End of Year</b>
<u>Deferred tax assets</u>			
Temporary difference	<u>\$ 19,425</u>	<u>\$ 127,945</u>	<u>\$ 147,370</u>
<u>Deferred tax liabilities</u>			
Temporary difference	<u>\$ -</u>	<u>\$(268,380)</u>	<u>\$(268,380)</u>

For the year ended December 31, 2021

	<b>Balance, at Beginning of Year</b>	<b>Recognized in Profit or Loss</b>	<b>Balance, at End of Year</b>
<u>Deferred tax assets</u>			
Temporary difference	<u>\$ 74,915</u>	<u>\$ (55,490)</u>	<u>\$ 19,425</u>
d. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the balance sheets			

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Deductible temporary differences	<u>\$ 437,381</u>	<u>\$ 496,428</u>
e. Income tax assessments		

The tax authorities have examined income tax returns of the Company through 2020.

## 25. EARNINGS PER SHARE

	<b>Unit: NT\$ Per Share</b>	
	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Basic earnings per share	<u>\$ 14.64</u>	<u>\$ 8.44</u>
Diluted earnings per share	<u>\$ 14.45</u>	<u>\$ 8.36</u>

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

<u>Net Profit for the Year</u>	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 8,165,812</u>	<u>\$ 4,705,059</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	557,837	557,501
Effect of potentially dilutive ordinary shares		
Employee share options	1,238	1,612
Compensation of employees	<u>6,082</u>	<u>3,364</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>565,157</u>	<u>562,477</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 will be 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. 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:

	<b>For the Year Ended December 31, 2014</b>	
	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
<u>2021</u>		
Balance at January 1	2,002	\$ 13.80
Options exercised	(464)	13.75
Options canceled	<u>(100)</u>	13.50
Balance at December 31	<u>1,438</u>	13.50
<u>2022</u>		
Balance at January 1	1,438	\$ 13.50
Options exercised	(220)	13.33
Options canceled	<u>(40)</u>	13.50
Balance at December 31	<u>1,178</u>	13.10

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, 2022 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\$)

2014 option plan

Exercise Price (NT\$)					
\$ 13.10	<u>1,178</u>	1.69	\$ 13.10	<u>1,178</u>	\$ 13.10

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

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

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, 2022 and 2021.

## 27. GOVERNMENT GRANTS

As of December 31, 2022, 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 \$1,160,209 thousand. The difference between the amount obtained and the fair value of the loan is \$57,791 thousand, which is regarded as a government low-interest loan and recognized as deferred income. In 2022 and 2021, the Company recognized other income of \$8,838 thousand and \$11,075 thousand and the interest expense of the loan of \$15,213 thousand and \$15,491 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 should pay the original interest rate plus the annual interest rate.

In 2022, the Company recognized the amount of \$13,330 thousand as other income for the grant of “The Taiwan Industry Innovation Platform Program” and the grant of labor allowance from the government received.

## 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

	<b>Metalligence Technology Corp.</b>
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

	<b>Metalligence Technology Corp.</b>
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, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 203,999	\$ -	\$ -	\$ 203,999
Unlisted shares	<u>-</u>	<u>-</u>	<u>84,527</u>	<u>84,527</u>
Total	<u>\$ 203,999</u>	<u>\$ -</u>	<u>\$ 84,527</u>	<u>\$ 288,526</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares and emerging market shares	<u>\$ 153,308</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,308</u>

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>

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, 2022

<b>Financial Assets</b>	<b>Financial Assets at FVTPL Equity Instruments</b>
Balance at January 1, 2022	\$ 101,828
Recognized in profit or loss (included in other gains and losses)	<u>(17,301)</u>
Balance at December 31, 2022	<u>\$ 84,527</u>

For the year ended December 31, 2021

<b>Financial Assets</b>	<b>Financial Assets at FVTPL Equity Instruments</b>
Balance at January 1, 2021	\$ 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>

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.

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Price book ratio	1.633	1.636-5.827
Price-to-sales ratio	0.64	0.64-2.44
Liquidity discount	20%	20%

b. Categories of financial instruments

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 288,526	\$ 116,839
Financial assets at amortized cost (Note 1)	24,650,381	13,202,309
Financial assets at FVTOCI		
Equity instruments	153,308	208,743
<u>Financial liabilities</u>		
Amortized cost (Note 2)	20,343,777	13,452,876

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, trade receivables (include related parties), other receivables (include related parties), time deposits with original maturity of more than 3 months, pledged time deposits, and refundable deposits.

Note 2: The balances included financial liabilities 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 34.

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.

	<b>USD Impact</b>	
	<b>For the Year Ended December</b>	
	<b>31</b>	
	<b>2022</b>	<b>2021</b>
Profit or loss	\$(90,949)	\$(19,318)

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:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Fair value interest rate risk		
Financial assets	\$ 8,542,687	\$ 1,368,862
Financial liabilities	1,052,205	682,662
Cash flow interest rate risk		
Financial assets	2,009,167	1,472,542
Financial liabilities	3,530,890	1,178,743

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, 2022 and 2021 would have increased/decreased by \$(1,522) thousand and \$294 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, the post-tax other comprehensive income for the years ended December 31, 2022 and 2021 would have increased/decreased by \$1,533 thousand and \$2,087 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, 2022 and 2021, 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, 2022

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1+ Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 10,936,487	\$ 5,304,406	\$ 571,178	\$ 816	\$ 16,812,887
Lease liabilities	4,849	16,473	120,169	1,398,322	1,539,813
Variable interest rate liabilities	<u>28,927</u>	<u>57,855</u>	<u>884,058</u>	<u>2,634,993</u>	<u>3,605,833</u>
	<u>\$ 10,970,263</u>	<u>\$ 5,378,734</u>	<u>\$ 1,575,405</u>	<u>\$ 4,034,131</u>	<u>\$ 21,958,533</u>

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

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	\$ 141,491	\$ 114,063	\$ 351,625	\$ 89,125	\$ 351,625	\$ 491,884
Variable interest rate liabilities	<u>970,840</u>	<u>2,634,993</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,112,331</u>	<u>\$ 2,749,056</u>	<u>\$ 351,625</u>	<u>\$ 89,125</u>	<u>\$ 351,625</u>	<u>\$ 491,884</u>

December 31, 2021

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

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
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>

b) Financing facilities

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Unsecured bank overdraft facilities:		
Amount used	\$ 3,542,675	\$ 1,218,000
Amount unused	<u>9,142,100</u>	<u>6,260,696</u>
	<u>\$ 12,684,775</u>	<u>\$ 7,478,696</u>

The Company does not have bank loan facilities which may be extended by mutual agreements on December 31, 2022 and 2021.

**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

<u>Related Party Name</u>	<u>Related Party Category</u>
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
Vietnam Accton Technology Co., Ltd.	Subsidiary
Edgecore Americas Networking Corp.	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
CheerLife Technology Corp.	Associate

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

b. Sales

<u>Line Item</u>	<u>Related Party Name</u>	<u>December 31</u>	
		<u>2022</u>	<u>2021</u>
Sales	Accton Global Inc.	\$ 9,197,917	\$ 8,113,328
	Edgecore Networks Corp.	3,216,436	1,817,580
	Other Subsidiaries and Associates	<u>241,429</u>	<u>141,060</u>
		<u>\$ 12,655,782</u>	<u>\$ 10,071,968</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

<u>Line Item</u>	<u>Related Party Name</u>	<u>December 31</u>	
		<u>2022</u>	<u>2021</u>
Purchases	Joy Technology (Shenzhen) Co., Ltd.	\$ 13,014,783	\$ 14,263,241
	Other Subsidiaries	<u>55,896</u>	<u>54,422</u>
		<u>\$ 13,070,679</u>	<u>\$ 14,317,663</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	
		2022	2021
Operating expense	Accton Technology Corp. USA	\$ 165,983	\$ 121,883
	Other Subsidiaries	<u>2,132</u>	<u>6,213</u>
		<u>\$ 168,115</u>	<u>\$ 128,096</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	
		2022	2021
Other revenue	Edgecore Networks Corp.	\$ 6,020	\$ 12,602
	Other Subsidiaries and Associates	<u>2,280</u>	<u>2,464</u>
		<u>\$ 8,300</u>	<u>\$ 15,066</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	
		2022	2021
Trade receivables from related parties	Accton Global Inc.	\$ 2,890,302	\$ 2,913,782
	Edgecore Networks Corp.	159,812	105,248
	Accton Logistics Corp.	26,091	39,299
	Other Subsidiaries and Associates	27,764	9,750
	Transfer of investment loans using the equity method	<u>(162,138)</u>	<u>(32,037)</u>
		<u>\$ 2,941,831</u>	<u>\$ 3,036,042</u>
Other receivables from related parties	Joy Technology (Shenzhen) Co., Ltd.	\$ 381,570	\$ 503,154
	Edgecore Networks Corp.	52,322	4,366
	Other Subsidiaries and Associates	<u>5,305</u>	<u>1,344</u>
		<u>\$ 439,197</u>	<u>\$ 508,864</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

<b>Line Item</b>	<b>Related Party Name</b>	<b>December 31</b>	
		<b>2022</b>	<b>2021</b>
Trade payables to related parties	Joy Technology (Shenzhen) Co., Ltd.	\$ 4,917,062	\$ 3,383,679
	Accton Technology Co., Ltd.	<u>867</u>	<u>-</u>
		<u>\$ 4,917,929</u>	<u>\$ 3,383,679</u>
Other payables to related Parties	Accton Technology Corp. USA	\$ 170,990	\$ 120,738
	Other Subsidiaries	<u>6,357</u>	<u>21,244</u>
		<u>\$ 177,347</u>	<u>\$ 141,982</u>

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

h. Prepayments

<b>Line Item</b>	<b>Related Party Name</b>	<b>December 31</b>	
		<b>2022</b>	<b>2021</b>
Prepayments to related parties	Metalligence Technology Corp.	<u>\$ -</u>	<u>\$ 2,282</u>

i. Acquisitions of property, plant and equipment

	<b>Related Party Name</b>	<b>Purchase Price</b>	
		<b>2022</b>	<b>2021</b>
Subsidiary		<u>\$ 924</u>	<u>\$ 9,987</u>

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

	<b>Related Party Name</b>	<b>Proceeds Price</b>	
		<b>2022</b>	<b>2021</b>
Subsidiary		<u>\$ -</u>	<u>\$ 17</u>

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

	<b>Related Party Name</b>	<b>Purchase Price</b>	
		<b>2022</b>	<b>2021</b>
Subsidiary		<u>\$ 681</u>	<u>\$ 92</u>

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

1. Remuneration of key management personnel

	<u>For the Year Ended December 31</u>	
	2022	2021
Short-term employee benefits	\$ 122,475	\$ 105,313
Termination benefits	<u>868</u>	<u>730</u>
	<u>\$ 123,343</u>	<u>\$ 106,043</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 for the tariff guarantee and performance guarantee:

	<u>December 31</u>	
	2022	2021
Pledge time deposits (classified as other non-current assets-other)	<u>\$ 79,419</u>	<u>\$ 79,415</u>

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

As of December 31, 2022, the Company needed to issue a letter of guarantee from the bank to the customs for import/export goods that amounted to \$25,000 thousand.

**34. 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, 2022

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 787,977	30.71 (USD:NTD)	\$ 24,198,762
<u>Financial liabilities</u>			
Monetary items			
USD	491,821	30.71 (USD:NTD)	15,103,836

December 31, 2021

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<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

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

	<b>For the Year Ended December 31</b>			
	<b>2022</b>		<b>2021</b>	
<b>Foreign Currency</b>	<b>Exchange Rate (Functional Currency: Presentation Currency)</b>	<b>Net Foreign Exchange Gain (Loss)</b>	<b>Exchange Rate (Functional Currency: Presentation Currency)</b>	<b>Net Foreign Exchange Gain (Loss)</b>
USD	29.805 (USD:NTD)	<u>\$ 289,754</u>	28.009 (USD:NTD)	<u>\$ 6,606</u>

### 35. 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 2022's Table 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)

## ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

## ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2022

(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 Global, Inc.	2	\$ 2,042,816	\$ 153,550 (USD 5,000)	\$ 153,550 (USD 5,000)	\$ 6,142 (USD 200)	\$ -	0.75	\$ 6,128,448	Yes	No	No
0	Accton Technology Corporation	Joy Technology (ShenZhen) Co., Ltd.	2	2,042,816	440,940 (RMB 100,000)	440,940 (RMB 100,000)	-	-	2.16	6,128,448	Yes	No	Yes
0	Accton Technology Corporation	Vietnam Accton Technology Co., Ltd.	2	2,042,816	153,550 (USD 5,000)	153,550 (USD 5,000)	-	-	0.75	6,128,448	Yes	No	No
1	Accton Global, Inc.	Accton Logistics Corporation	4	87,684	6,142 (USD 200)	6,142 (USD 200)	6,142 (USD 200)	-	7.00	87,684	No	No	No
2	Joy Technology (ShenZhen) Co., Ltd.	MuXi Technology Co., Ltd.	4	5,053,140	573,222 (RMB 130,000)	573,222 (RMB 130,000)	-	-	11.34	5,053,140	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.

## ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

(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, 2022				Note
				Shares/Units (Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
Accton Technology Corporation	<u>Fund</u>							
	Allianz Global Investors Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	9,044	\$ 115,180	-	\$ 115,180	Note 5
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss - current	5,212	80,108	-	80,108	Note 5
	JPMorgan Funds - US Aggregate Bond Fund	-	Financial assets at fair value through profit or loss - current	17	8,711	-	8,711	Note 5
	<u>Shares</u>							
	First Hi-Tec Enterprise Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	1,496	70,231	2%	70,231	Note 4
	Cathay Financial Holding Co., Ltd. - preference shares	-	Financial assets at fair value through other comprehensive income - current	830	46,978	-	46,978	Note 4
	Marvell Technology Inc.	-	Financial assets at fair value through other comprehensive income - current	22	24,836	-	24,836	Note 4
	Clientron Corp.	-	Financial assets at fair value through other comprehensive income - current	289	6,546	-	6,546	Note 6
	Cathay Financial Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	71	2,823	-	2,823	Note 4
	Cathay Financial Holding Co., Ltd. - preference share B	-	Financial assets at fair value through other comprehensive income - current	35	1,894	-	1,894	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	2,815	84,527	9%	84,527	Note 3
	i Pass Corporation	-	Financial assets at fair value through profit or loss - non-current	1,140	-	1%	-	Note 3
	Wave-In Communication Inc.	-	Financial assets at fair value through profit or loss - non-current	1,138	-	7%	-	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	
Stratus Medicine Inc.	-	Financial assets at fair value through profit or loss - non-current	833	-	4%	-	Note 3	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Shares/Units (Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
Accton Technology Corporation	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
	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	-	518,214	Note 4
	Xsight Labs Ltd. - preference share D	-	Financial assets at fair value through profit or loss - non-current	125	-	-	-	Note 3
	Quantun Machines Ltd. - preference share A	-	Financial assets at fair value through profit or loss - non-current	217	-	1%	-	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	46	-	-	-	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	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Shares/Units (Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
Accton Investment Corp.	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
	Caspain Networks, Inc.	-	Financial assets at fair value through profit or loss - non-current	2	-	-	-	Note 3
	Truettel 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	-	-	-	-	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 Asia Investments Corp.	<u>Shares</u>							
	Zhuhai Jinfangda Technology Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	-	-	18%	-	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, 2022				Note
				Shares/Units (Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
Edgecore Networks Corp.	<u>Fund</u> Taishin Ta-Chong Money Market Fund	-	Financial assets at fair value through profit or loss - current	973	\$ 14,036	-	\$ 14,036	Note 5
	<u>Shares</u> ALFA Network Inc.	-	Financial assets at fair value through profit or loss - non-current	969	24,472	19%	24,472	Note 3
	AVIZ Networks Inc. - preference shares	-	Financial assets at fair value through other comprehensive income - non-current	4,065	22,472	-	22,472	Note 3
SMC Networks Inc.	<u>Shares</u> Humax Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	369	29,916 (USD 974)	-	29,916 (USD 974)	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, 2022 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, 2022.

Note 4: The market value was based on the closing price as of December 31, 2022.

Note 5: The market value was based on the net asset value of the fund as of December 31, 2022.

Note 6: The market value was based on the average quoted price as of December 31, 2022.

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**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, 2022**  
**(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	Allianz Global Investors Taiwan Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	\$ -	33,461	\$ 425,000	24,417	\$ 310,361	\$ 310,000	\$ 361	9,044	\$ 115,180

Note: The disposal cost represents acquisition cost.

## 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, 2022

(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	January 7, 2022 (Note)	\$ 638,241 (Note)	Based on the terms in the contract	Hsinchu Country Government	-	Not applicable	Not applicable	Not applicable	Not applicable	Bid price	Operating purpose	-

Note: The Company recognized the right-of-use asset at the commencement date on March 8, 2022, and calculated the right-of-use asset by using the discount rate in accordance with the lease terms of 40 years.

## 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, 2022  
 (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	\$ 13,014,783	21	75 days after the delivery date	Specified at each transaction	75 days after the delivery date	\$ (4,917,062)	39	-
	Accton Global, Inc.	Subsidiary	Sale	9,197,917	12	75 days after the delivery date	Specified at each transaction	75 days after the delivery date	2,890,302	22	-
	Edgecore Networks Corp.	Subsidiary	Sale	3,216,436	4	75 days after the delivery date	Specified at each transaction	75 days after the delivery date	159,812	1	-
	Accton Logistics Corp.	Subsidiary	Sale	113,281	-	75 days after the delivery date	Specified at each transaction	75 days after the delivery date	26,091	-	-
Joy Technology (Shenzhen) Co., Ltd.	MuXi Technology Co., Ltd.	Held by the same ultimate holding company	Sale	6,255,633	8	Monthly 45 days	Specified at each transaction	Monthly 45 days	1,096,058	8	-
	Accton Technology Co., Ltd.	Held by the same ultimate holding company	Sale	880,022	1	75 days after the delivery date	Specified at each transaction	75 days after the delivery date	533,938	4	-
Edgecore Networks Corporation	Edgecore Americas Networking Corp.	Subsidiary	Sale	1,685,957	2	75 days after the invoice date	Specified at each transaction	75 days after the invoice date	509,543	4	-
Accton Technology Co., Ltd.	MuXi Technology Co., Ltd.	Subsidiary	Sale	118,865	-	Monthly 45 days	Specified at each transaction	Monthly 45 days	1,402	-	-

**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, 2022**

**(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	\$ 2,891,168	3.17	\$ 1,570,337	Strengthen collection	\$ 1,390,667	\$ -
	Joy Technology (Shenzhen) Co., Ltd.	Indirect subsidiary	381,570	Note 2	-	-	-	-
	Edgecore Networks Corp.	Subsidiary	212,134	24.27	-	-	-	-
Joy Technology (Shenzhen) Co., Ltd.	Accton Technology Corporation	Ultimate parent company	4,918,319	3.14	2,609,981	Strengthen collection	1,483,912	-
	MuXi Technology Co., Ltd.	Held by the same ultimate holding company	1,096,058	4.01	169,863	Strengthen collection	169,863	-
	Accton Technology Co., Ltd.	Held by the same ultimate holding company	534,294	0.92	243,563	Strengthen collection	171,580	-
Edgecore Networks Corp.	Edgecore Americas Networking Corp.	Subsidiary	510,205	3.18	346,758	Strengthen collection	346,758	-
Accton Technology Co., Ltd.	Joy Technology (Shenzhen) Co., Ltd.	Held by the same ultimate holding company	655,254	-	-	-	-	-
MuXi Technology Co., Ltd.	Joy Technology (Shenzhen) Co., Ltd.	Held by the same ultimate holding company	148,175	-	-	-	-	-

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, 2022**

**(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, 2022			Net Income (Loss) of the Investee	Investment Gain (Loss) Recognized	Note
				December 31, 2022	December 31, 2021	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	\$5,142,316	\$ 443,999	\$ 441,191	Notes 1 and 2
	Edgecore Networks Corp.	Hsinchu	Research, development, design, manufacture and selling of switching hubs	650,000	650,000	50,000	100	1,713,069	717,575	717,575	Note 1
	SMC Networks Inc.	USA	Sale of network products	769,644	769,644	24,149	100	105,799	301	301	Note 1
	Accton Technology (China) Co., Ltd.	Cayman Islands	Investment holding company	279,635	279,635	6,600	100	104,607	56,602	56,602	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	187,046	2,597	2,597	Note 1
	Accton Investment Corp.	British Virgin Islands	Investment holding company	79,676	79,676	1,004	100	255,112	(15,053)	(28,309)	Note 1
	Accton Logistics Corp.	USA	Selling and marketing of high-quality LAN hardware and software products	89,267	89,267	1	100	112,026	1,757	1,757	Note 1
	Accton Global, Inc.	USA	Selling and marketing of high-quality LAN hardware and software products	35,316	35,316	10	100	(162,138)	14,483	14,483	Note 1
	Noesys Inc.	Cayman Islands	Investment holding company	199,434	199,434	50,000	100	2,817	172	172	Note 1
	E-Direct Corp.	Taipei	Provides services in information software and information technology	43,075	43,075	3,852	100	86,539	22,933	22,933	Note 1
	Metelligence Technology Corp.	Taipei	Provides e-commerce apps, information software and advertising services	5,000	5,000	50	20	-	-	-	Note 3
	CheerLife Technology Corp.	Taipei	Provides e-commerce apps, information software and advertising services	-	-	7	20	-	-	-	Notes 3 and 8
	Oenix Biomed Co., Ltd.	Taipei	Research and development of health care services and equipment	20,000	20,000	2,000	40	10,387	(2,849)	(1,139)	Note 1
	Vietnam Accton Technology Co., Ltd.	Vietnam	Research, development, design, manufacture and selling of switching hubs	372,775	-	-	100	358,557	(8,927)	(8,927)	Notes 1 and 4
Accton Century Holding (BVI) Co., Ltd.	Accton Asia Investments Corp.	British Virgin Islands	Investment holding company	1,293,075 (USD 42,106)	1,293,075 (USD 42,106)	42,106	100	5,073,381	434,305	434,305	Note 1

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Loss) of the Investee	Investment Gain (Loss) Recognized	Note
				December 31, 2022	December 31, 2021	Number of Shares (Thousands)	% of Ownership	Carrying Amount			
Edgecore Networks Corp.	Edgecore Networks Singapore Pte. Ltd.	Singapore	Selling and marketing of high-quality LAN hardware and software products	\$ 22,466	\$ 22,466	3,557	100	\$ 29,273	\$ 1,574	\$ 1,574	Note 1
	Edgecore Cayman Corp.	Cayman Islands	Investment holding company	-	30,285	-	-	-	26,567	26,567	Notes 1 and 5
	Edgecore Americas Networking Corp.	USA	Selling and marketing of high-quality LAN hardware and software products	18,733 (USD 610)	-	10	100	71,269	80,131	53,664	Notes 1 and 6
	Edgecore Networks India Pvt. Ltd.	India	Research, development, design, manufacture and selling of switching hubs	15,039	-	3,885	100	13,760	(680)	(680)	Notes 1 and 7
Edgecore Cayman Corp.	Edgecore Americas Networking Corp.	USA	Selling and marketing of high-quality LAN hardware and software products	-	307 (USD 10)	-	-	-	80,131	26,467	Notes 1 and 6

Note 1: Based on audited financial statements.

Note 2: After adjustment of gains or losses from related parties.

Note 3: Recognized an impairment loss.

Note 4: Accton Vietnam completed its registration of establishment in October 2022.

Note 5: Edgecore Cayman completed its liquidation in September 2022.

Note 6: In May 2022, for organizational structuring, Edgecore Networks acquired 100% of Edgecore Americas's shares which were held by Edgecore Cayman.

Note 7: Edgecore India completed its registration of establishment in July 2022.

Note 8: Metalligence Technology Corp., due to the operational needs, carried out organizational restructuring in 2022 to improve business performance and demerged with "CheerLife Technology Corp." on August 25, 2022, which was the record date for the demerger. In November 2022, CheerLife Technology Corp. completed the change of its registration. After the demerger, the Company held 20% shareholding of CheerLife Technology Corp.

(Concluded)

## ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(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, 2022 (Note 2)	Investment Flows		Accumulated Outflow Remittance for Investment from Taiwan as of December 31, 2022 (Note 2)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022 (Note 2)	Note
					Outflow	Inflow							
Joy Technology (Shenzhen) Co., Ltd.	Selling and producing of high-end network switches	\$ 1,366,595 (USD 44,500)	Note 1	\$ 629,555 (USD 20,500)	\$ -	\$ -	\$ 629,555 (USD 20,500)	\$ 439,736	100%	\$ 439,736	\$ 5,053,140	\$ 506,715 (USD 16,500)	Note 3
Accton Technology Co., Ltd.	Sale of network products	184,260 (USD 6,000)	Note 1	184,260 (USD 6,000)	-	-	184,260 (USD 6,000)	55,905	100%	50,905	97,552	-	Note 3
Noctilucent Systems (Shanghai) Limited	Development, design and manufacture of software, selling product and consultation and service of technique	153,550 (USD 5,000)	Note 1	210,673 (USD 6,567)	-	-	210,673 (USD 6,567)	-	-	-	-	-	Notes 5 and 8
ATAN NetworKs Co., Ltd.	Sale of network products	95,201 (USD 3,100)	Note 10	95,201 (USD 3,100)	-	-	95,201 (USD 3,100)	(23,004)	100%	(23,004)	(12,019)	-	Notes 3 and 10
MuXi Technology Co., Ltd.	Sale of network products	4,409 (RMB 1,000)	Note 11	-	-	-	-	(4,984)	100%	(4,984)	12,802	-	Notes 3 and 11

Investee Company	Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by the Investment Commission, MOEA	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)	\$ 12,256,897
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, 2022.

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.

(Continued)

- 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.

(Concluded)

**TABLE 9****ACCTON TECHNOLOGY CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS****DECEMBER 31, 2022**

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<b>Name of Major Shareholder</b>	<b>Shares</b>	
	<b>Number of Shares</b>	<b>Percentage of Ownership (%)</b>
Golden Tengis 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\$ thousand

Items	Year	2022	2021	Differences	
				Amount	%
Current Assets		41,882,761	31,782,233	10,100,528	31.78%
Property, Plant and Equipment		1,804,418	1,487,456	316,962	21.31%
Other Assets		2,373,630	1,751,680	621,950	35.51%
Total Assets		46,060,809	35,021,369	11,039,440	31.52%
Current Liabilities		21,567,677	17,643,456	3,924,221	22.24%
Non-current Liabilities		4,064,971	1,824,962	2,240,009	122.74%
Total liabilities		25,632,648	19,468,418	6,164,230	31.66%
Share Capital		5,601,399	5,599,204	2,195	0.04%
Capital Reserve		857,568	843,580	13,988	1.66%
Accumulated Profit or Loss		14,482,209	9,655,707	4,826,502	49.99%
Equity Attributable to Owners of Parent Companies		20,428,161	15,552,951	4,875,210	31.35%

(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.
2. Increased other assets: Rental plants and equipment are added to meet operational demand and this led to the increase in the right-of-use assets.
3. Increased non-current liabilities: Business growth and increased demand for capital led to the increase in long-term borrowings.
4. Increased accumulated profit or loss and equity attributable to the owner of the parent company: It is the result of business growth and increased profitability.

(III) Future response plans shall be specified in cases of significant impacts: N/A.

### II. Financial Performance

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

Unit: NT\$ thousand

Items	Year	2022	2021	Amount of Increase (Decrease)	Percentage of Change (%)	Change Analysis
Cost of Sales		60,686,961	48,254,085	12,432,876	25.77%	1
Gross Profit		16,518,262	11,344,596	5,173,666	45.60%	1
Operating Expenses		6,885,654	5,903,870	981,784	16.63%	
Operating profit (loss)		9,632,608	5,440,726	4,191,882	77.05%	1
Non-operating Income and Expenses		643,315	290,425	352,890	121.51%	2
Pre-tax profit (loss)		10,275,923	5,731,151	4,544,772	79.30%	1
Income Tax Expenses		2,110,111	1,026,093	1,084,018	105.65%	1
Net profit (loss)		8,165,812	4,705,058	3,460,754	73.55%	1
Net Profit Attributable to Owners of Parent Companies		8,165,812	4,705,059	3,460,753	73.55%	1

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.
2. Increased non-operating income and expenditure: It is the result of impacts from fluctuating exchange rates for the current period.

### III. Cash flow

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

Items	Year		Percentage of Increase/Decrease (%)
	2022	2021	
Cash Flow Ratio	45.08	7.75	481.68%
Cash Flow Adequacy Ratio	37.82	23.99	57.65%
Cash Flow Reinvestment Ratio	22.62	(10.92)	307.14%

Analysis of Changes in Percentage:

1. Increased cash flow ratio, cash flow adequacy ratio and cash flow reinvestment ratio: It is the result of increased cash inflows from growing revenues.

(II) Plan for improving insufficient liquidity: None.

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

Unit: NT\$ thousand					
Balance of cash at start of term (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
8,695,372	7,530,607	7,692,000	8,533,979	—	—

1、 Analysis of Changes in the Cash Flow for the Current 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.

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.

(I) Re-investment Policy

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 on December 31, 2022	
Joy Technology (Shenzhen) Corporation	The production and sale of computer network adaptors	2005	100%	5,053,140	
Edgecore Networks Corporation	The research, development, design, manufacture and sale of network switches	2009	100%	1,713,069	

(II) Reinvestment Profit/Loss Analysis

- (1) Investments in Mainland China: Due to the increase in gross profit resulting from the adjustment made to product portfolio compared with last year, the investment in Joy Technology of the current period was NTD439,736 thousand.
- (2) Investment in brand business: In response to emerging data and telecom network, the Company devotes itself to software development and provides hardware/software integrated products and services. Meanwhile, it works with different SDN software manufacturers to develop the Data Center of new open structure and has successfully sold 10G/40G/25G/100G/400G ultra-high-speed backbone data switches for open networking, as well as optical transport switches used by open telecom operators and 5G base station backhaul routers. During the period, profit from the investment in Edgecore Networks amounted to NTD717,575 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) Impacts of interest rate, exchange rate fluctuations and inflation on the Company's profit and loss and countermeasures in the future:

Despite the fact that the COVID-19 pandemic is gradually easing, the Russia-Ukraine War continues to impact trade. Inflation appears to slow down; nevertheless, it remains high. Moreover, it is expected the monetary policy adopted by the central bank in each of the countries that follow the Fed will remain tightened. Therefore, it is still early to be optimistic about the global economic outlook of 2023. The Institute of International Finance (IIF) indicates in its report that the global economic growth in 2023 is likely to significantly slow down to 1.2%, which is comparable to that in 2009 when the world was gradually recovering from the financial storm. The Organization for Economic Co-operation and Development (OECD), on the other hand, forecasts a global economic growth of 2.2% in 2023, lower than 3.1% in 2022. In the "World Economic Outlook" report of the International Monetary Fund (IMF), on the other hand, it is predicted that the global economy will see a growth of 2.7% in 2023, slower than 3.2% in 2022 and the weakest growth since 2001 (excluding the 2008 financial storm).

Interest rates and exchange rates are expected to fluctuate wildly this year given so many 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 Expenses:

It has been three years since the outbreak of COVID-19 at the end of 2019. Technological development, economic trends, green environmental awareness, health topics, and geopolitics are all worthy of attention. In this rapidly changing and sensitive environment, we will continue to move forward by establishing the direction of development and sticking to it, taking into account the situation and making timely corrections to take into account the interests of all parties,

We will connect relevant matters point by point to build a network, so each point can link to other points quickly, reliably, safely and with low power consumption, and build a large network of communication among people, between people and things, and among things, in order to improve the cognitive dimension in expectation of a sustainable and healthy development of the society and economy. Our focus of product development will be in the directions of ultra-high speed, ultra-high time accuracy, low carbon, artificial intelligence and high cost performance; in terms of technology, more resources will be invested in signal/power integration, heat dissipation, structural force analysis, optics and power supply, which can give us a leading position in technology and lead the market trend. In addition to the high quality requirement of the design, we will automate the factory, design and optimize the manufacturing process, quickly respond to customer needs, provide services that meet customer needs, and make a contribution to the entire communication market.

Accton will continue investing in data centers, artificial intelligence, telecommunications, and wireless, optical and cost-effective products, and strive to become the communication industry leader. Facing the coming challenges, we will be brave to face them, bear the responsibilities, and make investments to solve any problems and difficulties, create hope and depict an ideal future.

The following is a description of the research and development fields of Accton's products, including enterprise Ethernet switches, telecommunications equipment, data center equipment, artificial intelligence, front-end technology and wireless networks:

### 1. Enterprise Ethernet switch

We continue to research and develop multi-rate 1G/2.5G/5G/10G Ethernet switches with the latest PoE specifications, focusing on low-carbon design to provide products with high cost performance and optimization of factory automation, and deliver stable quality to end customers after complete systematic testing. Apart from the ODM business mode, Accton aims at the support of an open network software

platform. After strict system integration testing, we provide it to customers to enable them to develop complete products faster and increase operating income.

## 2. Telecommunications equipment

In compliance with the development trend of 5G Advanced, we will develop professional quality in the design and testing of high time accuracy, and safe and confidential research and development technology, and focus on the research and development of products with uniform appearance, high stability, low carbon emission, high time accuracy and safety. Under the open architecture in the telecommunications field, we will continue promoting the layered structure to accelerate the cycle of telecommunication product innovation, in order to contribute to the entire telecommunications industry. We will actively develop and provide more value-added products in RAN, backhaul network, aggregation network, edge computing, optical fiber network, etc., create high-profit and green-environment products, and provide better and superior user experience.

## 3. Data center equipment

The demand for data in innovative applications is increasing rapidly, and the wave of massive data still exists. The required bandwidth of the network is rising, and the absolute power consumption of the equipment is also rising sharply. We will be facing this huge challenge head-on. We will continue strengthening the ability to control high-speed signal/power supply current integration, heat dissipation treatment and mechanical structural force, and optimize the signal transmission quality to reduce the improper consumption of energy by the equipment. With the requirement of more and more efficient cluster architecture, high-speed and long-distance optical transmission is one of the most important elements. In terms of the progress made with products, we will continue the research and development of 400G, 600G, 800G or even higher transmission speeds, support the goal of longer transmission distance, achieve green low-carbon emissions and environmental protection in raw materials, supply chain, factory process, logistics management, product design and waste recycling; we will continue optimizing and improve the above and reduce carbon emissions to make a contribution to the earth.

Accton will continue to actively participate in the activities of the open network community, contribute our wisdom, make rapid and iterative product updates, and cooperate positively with third-party software vendors to promote the layered network architecture and accelerate the transformation. Innovative technologies and new markets have constantly been occurring around us. We will actively maintain a good partnership with advanced manufacturers, create a win-win situation, take a leading position in technology, accumulate information capacity, build clear product strategies, and earnestly implement them to maintain and expand our leading position in this market.

## 4. Artificial intelligence and front-end technology

Today's technology is changing with each passing day. We will invest in the field of technological innovation and make the first development. Due to the demand for powerful computing capability, which covers the technical development of machine learning, virtualization, microwave precise waveform generator, etc., we will research and develop data unloading servers, AI efficient deep learning engine servers and controllers, programmable Ethernet switches, smart network cards, etc. to improve and enhance the overall performance of products, and some innovative applications can be better developed through machine learning. These platforms can provide integrated data processing planes, controller planes, service application planes, etc., and establish end-to-end service models, such as virtual containers, service concatenation, and virtual container management systems to meet the requirements of complete construction systems and provide solutions, and meet the requirements of high expansibility, high reliability and large-volume computing capacity. We will invest our energy in these high-end technology research and development, and look forward to making achievement and creating new opportunities.

## 5. Wireless network

We will continue investing in more advanced WIFI wireless technology as well as the design and measurement of antennas. We will also invest resources in RUs to provide better products to customers. We will integrate clouds, research and develop more stable and high value-added end-to-end systems, continuously improve intelligent automation of factory production, and improve product manufacturing costs and quality, so as to increase competitiveness and operating income.

In communication technology, we will research and develop sensing network gateways, cloud data analysis backend platforms, sensors and brakes in order to provide complete end-to-end solutions; we will vertically integrate to meet customer requirements in different scenarios, so as to make the application safer and easier, and improve the convenience of life. In response to the trend of the Internet of Things of operators, we participated in the testing of the concept verification platform and the construction and operation of the physical architecture, in order to increase substantive experience and revenue and integrate data from different application fields for more effective intelligent analysis and application.

The product R&D plan above has been implemented according to the plan. In the face of unpredictable changes and challenges, we synchronously observe the market and social trends and adjust the pace of R&D, in a hope to gain a competitive advantage that is favorable to and consistent with corporate social

responsibility, and bring benefits to the Company's revenue and future. In 2023, in response to the needs of business growth and the continuous investment of the new plan, it is estimated that the R&D expenditure will account for about 5% of the revenue.

(IV) Impacts of the changes in important domestic and overseas policies and laws on the Company'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) Impacts of changes in technology (including information and communication 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 the information and communication security risk, 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) Impacts of changes in corporate image on corporate 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 acquisitions and countermeasures:

Accton has no merger plan in the most recent year as of the publication date of the annual report.

(VIII) Expected benefits and possible risks of the expansion of 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 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.Throughput loss because of unsteady supply of some key materials.

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.Continue to negotiate with customers about business strategies of offsite support and maintenance, and regulate production capacity in a flexible way.
- 4.Continue to communicate with the central and local governments on the recruitment limit of foreign employees and expand the recruitment channels in the neighboring areas of Zhunan.

(IX) Risks associated with focused purchases 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) Impacts 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) Impacts and risks of change in management on the Company and countermeasures:

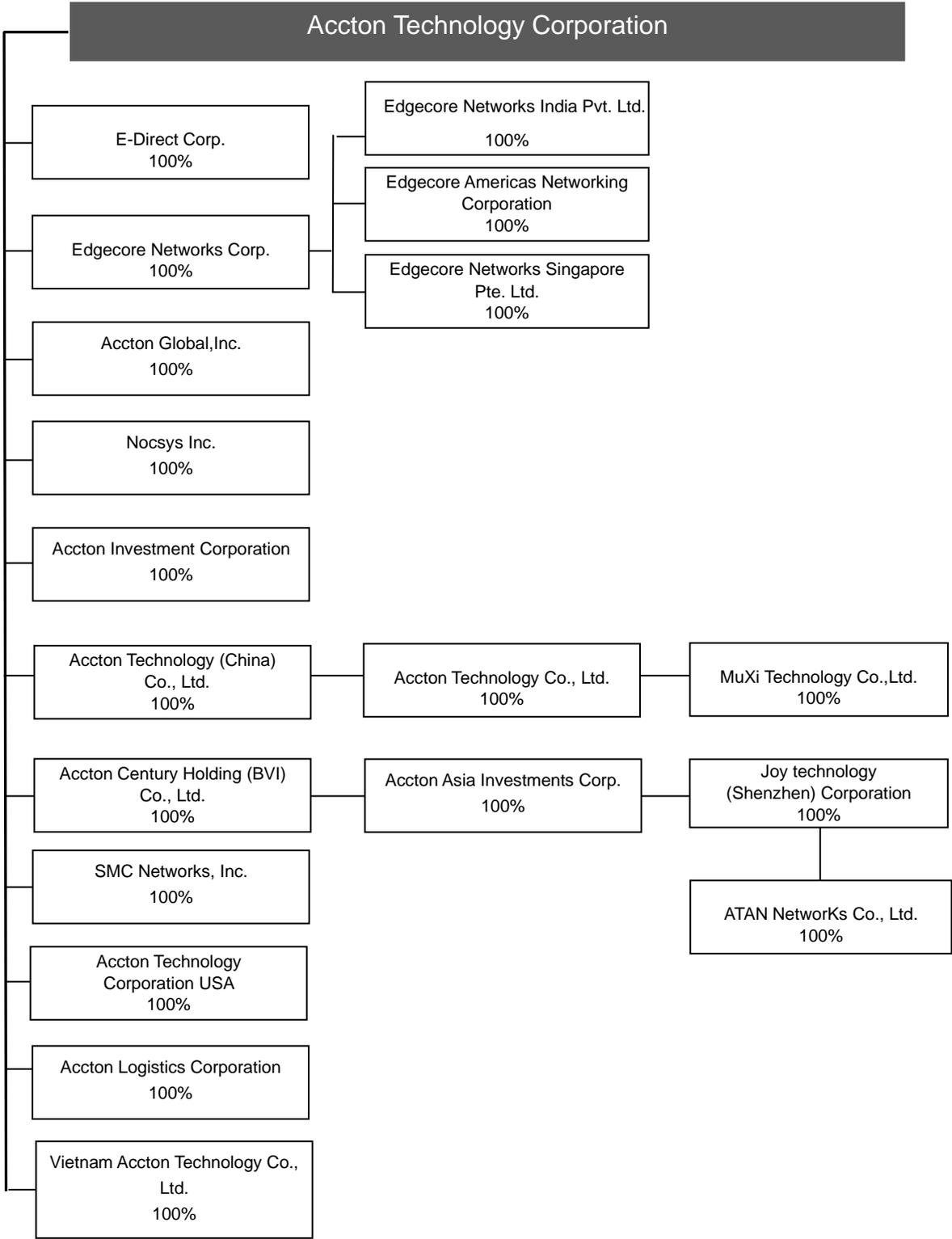
There hasn't been any change in management right since Accton's establishment.

(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. Related Information of Affiliates
  - 1. Organizational Overview of Affiliates
    - (1) Organizational Chart of Affiliates



Note: Closed at Dec. 31th, 2022

## (2) Profile of Each Affiliate

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 Technology (China) Co.,Ltd.	2001/5/9	P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205,Cayman Islands	NTD	220,127,000	Holding company which transfers from operation to investment
Accton Technology Co., Ltd.	2001/9/12	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
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 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
Edgecore Networks India Pvt. Ltd.	2022/7/18	No. 220, Suncity Success Towers, Golf Course Extension, Sector-65, Gurgaon, Gurgaon, Haryana, India, 122018	IND	38,845,000	The research, development, design, manufacture and sale of communication equipment
Vietnam Accton Technology Co., Ltd.	2022/10/3	Lot F1-2-3, Thang Long Vinh Phuc Industrial Park, Tam Hop Commune, Binh Xuyen Di	VND	286,095,000,000	The research, development, design, manufacture and sale of network switches

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) Data of common shareholders inferred to have control or to be in a subordinate relationship: None.

(4) Industries covered in the scope of operation of affiliates as a whole

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 Affiliates

Company Name	Job Title	Name or Representative	Unit: NT\$ Thousand; Shares; %	
			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	Jackal Li	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%
Accton Technology (China) Co.,Ltd.	Supervisor	Chen, Wen-Chi	0	0.00%
	Director	Yu, Ji-Hsiang	0	0.00%
	Director	Chiu, Kuo-Tai	0	0.00%
Accton Technology Co., Ltd.	Director	Lin, Meen-Ron	0	0.00%
	Chairman of the Board	Huang, Kuo-Hsiu	0	0.00%
	Director	Chiu, Kuo-Tai	0	0.00%
MuXi Technology (Nanjing) Co., Ltd.	Director	Yu, Ji-Hsiang	0	0.00%
	Supervisor	Chen, Wen-Chi	0	0.00%
	Chairman of the Board	Huang, Kuo-Hsiu	0	0.00%
Accton Investment Corporation	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%
Nocsys Inc.	Director	Yu, Ji-Hsiang	0	0.00%
	Director	Lin, Meen-Ron	0	0.00%
	Director	Yu, Ji-Hsiang	0	0.00%
Accton Global, Inc.	Director	Lee, Wei-Shuo	0	0.00%
	Director	Lin, Meen-Ron	0	0.00%
	Director	Leon Tang	0	0.00%
	Director	Jackal Li	0	0.00%

Company Name	Job Title	Name or Representative	Shares Held (Note 2) (Note 3)	
			Number of Shares	Shareholding Ratio
Edgecore Networks Corp.	Chairman of the Board	Representative of Accton Technology Corporation: Ho Lawrence Yuklun	50,000,000	100.00%
	Director	Accton Technology Corporation Representative Siao Heimdall Fu	50,000,000	100.00%
	Director	Accton Technology Corporation Representative Shueh Youngcor	50,000,000	100.00%
	Supervisor	Accton Technology Corporation Representative Chen, Fang-I	50,000,000	100.00%
Edgecore Networks Singapore Pte Ltd.	Director	Ho Lawrence Yuklun	0	0.00%
	Director	Siao Heimdall Fu	0	0.00%
	Director	Huang, Kuo-Hsiu	0	0.00%
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 Networks Co., Ltd.	Chairman of the Board	Lin, Meen-Ron	0	0.00%
	Director	Tang, Choon Leng	0	0.00%
	Director	Yu, Ji-Hsiang	0	0.00%
	Supervisor	Tracy-Ho	0	0.00%
E-Direct Corp.	Chairman of the Board	Accton Technology Corporation Representative Huang, Kuo-Hsiu	3,851,910	100.00%
	Director	Accton Technology Corporation Representative Kuo, Fai-Long	3,851,910	100.00%
	Director	Accton Technology Corporation Representative Lin, Meen-Ron	3,851,910	100.00%
	Supervisor	Accton Technology Corporation Representative Chen, Fang-I	3,851,910	100.00%
Edgecore Networks India Pvt. Ltd.	Director	Ho Lawrence Yuklun	3,884,500	100.00%
Vietnam Accton Technology Co., Ltd.	Director	LI, HSUN - TE	0	0.00%

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 Affiliates

Unit: NT\$ Thousand; Shares; %

Company Name	Capital	Total Assets	Total liabilities	Net Value	Operating Revenue	Operating Income	Loss or profit of current term (After-tax)	Earnings Per Share (NT\$) (After Tax)
Accton Logistics Corporation	0	147,795	31,537	116,258	120,211	776	1,757	—
Accton Technology Corporation USA	67,516	215,310	28,264	187,046	165,666	8,333	2,597	—
SMC Networks, Inc.	1,483	176,254	70,455	105,799	140,500	(80)	301	—
Accton Century Holding (BVI) Co. Ltd.	1,664,416	5,161,741	0	5,161,741	0	(73)	443,999	—
Accton Asia Investments Corporation	1,347,482	5,075,406	2,025	5,073,381	0	(230)	434,305	—
Joy Technology (Shenzhen) Corporation	1,400,501	9,098,612	4,045,472	5,053,140	18,905,182	497,269	439,769	—
Accton Technology (China) Co., Ltd.	220,127	104,607	0	104,607	0	0	56,602	—
Accton Technology Co., Ltd.	218,928	1,370,945	1,273,393	97,552	1,784,194	54,826	55,905	—
MuXi Technology (Nanjing) Co., Ltd.	4,409	1,401,223	1,388,421	12,802	6,938,921	(5,057)	(4,984)	—
Accton Investment Corporation	30,405	306,111	0	306,111	0	2,861	(15,053)	—
Nocsys Inc.	199,434	2,817	0	2,817	0	(126)	172	—
Accton Global, Inc.	307	3,022,432	2,934,747	87,685	8,726,198	4,376	14,483	—
Edgecore Networks Corp.	500,000	2,369,277	639,208	1,730,069	4,445,928	640,603	717,575	—
Edgecore Networks Singapore Pte. Ltd.	81,382	32,094	2,821	29,273	18,826	2,443	1,574	—
Edgecore Americas Networking Corporation	307	653,798	581,101	72,697	2,079,129	84,142	80,131	—
ATAN Networks Co., Ltd.	101,000	62,516	74,535	(12,019)	73,767	(24,086)	(23,004)	—
E-Direct Corp.	38,519	133,249	48,640	84,609	79,451	25,548	22,933	—
Edgecore Networks India Pvt. Ltd.	14,419	13,777	17	13,760	0	(662)	(680)	—
Vietnam Accton Technology Co., Ltd.	367,632	489,586	131,029	358,557	0	(4,451)	(8,927)	—

Note 1: All affiliates shall be disclosed, regardless of the scope.

Note 2: All affiliates shall be disclosed with their financial data of 2022 audited by CPAs.

Note 3: If any affiliate 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:	30.7100	29.8050
SD Exchange Rate:	22.8800	21.62
RMB Exchange Rate:	4.4094	4.4347
INR Exchange Rate:	0.3712	0.3792
VND Exchange Rate:	0.001285	0.001255

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. Holding or Disposal of the Company's Shares by Its Subsidiaries in the Past Year up to the Date the Annual Report Was Printed

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%	January 4, 2001 to 90/12/28	2,209,867 shares NT\$50,999 Thousand	—	—	2,209,867 shares NT\$50,999 Thousand	None	0	0

Current year as of the publication date of the annual report

IV. Other matters requiring supplementary information: None

V. Any event that has occurred over the most recent year up to the date when the Annual Report was printed and has significant impacts on the shareholder equity or prices of securities in violation of Article 36 Paragraph 3 Sub-paragraph 2 of the Securities and Exchange Act: None.

MEMO

Accton Technology Corporation

Chairman: Kuan Xin Investment Co., Ltd

Representative : Lin, Meen-Ron



*Meen-Ron Lin*



## Accton Technology Corporation

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About Accton