

**Stock Code : 2345**

**Accton Technology Corporation  
2021 Annual General Shareholders' Meeting  
Meeting Handbook**

**Meeting Time: June 17, 2021, at 9:00 a.m.**

**Place : No. 1, Creation Road 3, Hsinchu Science Park,  
Hsinchu 300, Taiwan, R.O.C**



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For the convenience of readers and for information purpose only, this handbook and the accompanying auditors' report and financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

# **Chapter 1 Meeting Procedures**

## Accton Technology Corporation

### Procedures for the Meeting of Shareholders' Meeting in 2021

1. Calling the meeting to order
2. Chairman's speech
3. Report items
4. Proposals
5. Election Matters
6. Discussions
7. Extemporaneous Motions
8. Adjournment

## **Chapter 2 Meeting Agenda**

# **Accton Technology Corporation**

## **2021 Annual Shareholders' Meeting Agenda**

Meeting time: Jun. 17, 2021 (Thursday) 9:00 a.m.

Meeting venue: No. 1, Creation 3rd Road, Hsinchu Science Park  
(Company's conference room)

1. Call meeting to order (report on total number of shares in attendance)
2. Chairman's speech
3. Report items
  - (1) Report on the Company's 2020 business.
  - (2) Report on the Company's 2020 Review Checklist by the Audit Committee.
  - (3) Report on the Company's 2020 employees compensation and directors remuneration distribution.
4. Proposals
  - (1) 2020 Business Report and Financial Statement.
  - (2) 2020 Profit Distribution Proposal.
5. Election Matters

Election of the 12th directors (including independent directors).
6. Discussions

Cancellation of the non-competition restriction on the Company's new directors and their representatives.
7. Extemporaneous Motions
8. Adjournment

# Reports

## Case 1

**Proposal:** The Company's 2020 Business Report. Please examine the report.

**Explanation:** Please refer to Attachment 1 on page 14 of this manual for the Company's 2020 Business Report.

## Case 2

**Proposal:** The Company's 2020 Review Checklist by the Audit Committee. Please examine the report.

**Explanation:** Please refer to Attachment 2 on page 18 of this manual for the Company's 2020 Review Report by the Audit Committee.

## Case 3

**Proposal:** The Company's 2020 Report on the Distribution of Employees' Remuneration and Directors' Remuneration. Please examine the report.

**Explanation:**

1. On Mar. 11, 2021, the Remuneration Committee resolved on the distribution of remuneration to employees and directors in accordance with the Articles of Association of the Company.
2. The Company is expected to allocate NT\$779,607,009 to employees' compensation, and NT\$45,000,000 to directors' remuneration.
3. The Company intended to pay all aforementioned compensation for employees and remuneration for directors in cash; the receivers of remuneration for employees shall include the employees of the subordinated companies of the Company who meet certain conditions.
4. The distribution of employees' compensation and directors' remuneration were submitted to the shareholders' meeting after the adoption of the Board resolution on Mar. 18, 2021.

# Proposals

## Case 1 [Proposed by the Board of Directors]

**Proposal:** Adoption of the 2020 Business Report and Financial Statements of the Company.

**Explanation:**

1. The Company's 2020 Business Report and Financial Statements were audited by Cheng-Chih Lin and Yu-Feng Huang, CPAs of Deloitte & Touche, and reviewed by the Audit Committee and approved by the Board of Directors on Mar. 18, 2021.
2. For the 2020 Business Report, Independent Auditors' Report, and Financial Statements, please refer to Attachment 1 on Page 14 to 17 and Attachment 3 on Page 19 to 38 of this handbook for details.
3. Please adopt the proposal.

**Resolution:**

## Case 2 [Proposed by the Board of Directors]

**Proposal:** Adoption of the proposal for distribution of 2020 earnings of the Company.

**Explanation:** According to the Articles of Association, the distribution of earnings for 2020 is set out below:

1. In 2020, the undistributed earnings of the Company at beginning of the period was NT\$1,159,216,447; the net profit after tax was NT\$5,048,352,605; the re-measurement of defined benefit plan recognized in the retained earnings was NT\$3,906,665.
2. In accordance with the law, 10% was appropriated for statutory surplus reserve of NT\$504,444,594 and the special surplus reserve of NT\$65,023,450 was revolved. The distributable earnings of this period was NT\$5,764,241,243 (details in the following surplus distribution table).
3. Taking into full account the capital requirements for building of Chupei AI Park and related equipment, it is proposed to distribute a cash dividend of NT\$3,636,538,081, NT\$6.5 per share, resulting in an undistributed surplus of NT\$2,127,703,162 at the end of the distribution period.
4. The shareholders' bonus calculated in the earnings distribution table shall be authorized by the shareholders' meeting to the board of directors to pay the total shareholders bonus in accordance with the resolution on this earnings distribution if the Company purchases its shares or transfers its treasury shares or issues new shares due to the exercise of employee warrants before the date of the distribution of shareholders' bonus, where there is a change in the number of shares



circulated in the market on the basis day of dividend distribution to shareholders, the dividend rate of shareholders shall be adjusted according to the actual number of shares circulated in the market on the basis day of bonus distribution.

5. Once the shareholders' cash dividend is approved by the shareholders' meeting, the Board of Directors will set another base date for the dividend, and the part of the cash dividend which is less than NT\$1 shall be transferred to the employee welfare committee of the Company according to the amount of the cash dividend distributed based on the shareholders' shareholding.
6. The proposal has been reviewed and approved by the Audit Committee and approved by the Board of Directors in accordance with the law and submitted to the Shareholders' Meeting for adoption.
7. Please adopt this proposal.

## **Accton Technology Corporation**

### **2020 Earning Distribution Table**

Unit: NTD

Undistributed earnings at beginning of the period		1,159,216,447
Plus:		
Remeasurement of defined benefit plans recognized in retained earnings	(3,906,665)	
Net income after tax for the current period	5,048,352,605	
Undistributed earnings for the current period		6,203,662,387
Less:		
Appropriation of statutory surplus reserve	(504,444,594)	
Add:		
Reversal of special surplus reserve	65,023,450	
Distributable earnings for the current period		5,764,241,243
Distribution items:		
Shareholders' dividends - cash (NT\$6.50 per share)	3,636,538,081	
Unappropriated retained earnings at the end of period		2,127,703,162

Chairman: Kuo, Fai-Long    Manager: Edgar Masri    Accounting Supervisor: Lin, Meen-Ron

#### **Resolution:**

## Election Matters (Proposed by the Board of Directors)

**Proposal:** Election of the Company's 12th directors (including independent directors).

**Explanation:**

1. The term of service of the Company's 11th director will expire on June 12, 2021. The re-election shall be conducted according to the laws at the Annual Shareholder's Meeting.
2. 9 directors (including 6 independent directors) shall be elected. The term of service shall be three years, from Jun. 17, 2021 to Jun. 16, 2024. The term of service for the present directors will terminate at the end of this Annual Shareholders' Meeting.
3. Elections of the Company's directors shall be conducted in accordance with the candidate nomination system set out in the Articles of Association and Article 192-1 of the Company Act.
4. List of director candidates (including independent directors) is as follows:

### Accton Technology Corporation

#### List of director candidates (3 directors and 6 independent directors)

Category	Name	Academic Background	Experiences	Current Position	Shareholdings (Unit: Share)
Director	Kuan Xin Investment Corp.	N/A	N/A	N/A	7,070,000
Director	Huang, Kuo-Hsiu	MBA, Peking University	<ul style="list-style-type: none"> <li>Associate head of Accton Technology Corporation</li> </ul>	<ul style="list-style-type: none"> <li>Chairman of Accton Technology Co., Ltd.</li> <li>Chairman of E-Direct Corp.</li> <li>Chairman of MuXi Technology Co., Ltd.</li> <li>Director of Accton Technology Corporation</li> </ul>	493,379
Director	Ting Sing Co.,Ltd. Representative: Du, Heng-Yi	MBA, University of Hawaii	<ul style="list-style-type: none"> <li>Chairman of the Board of Wanyuan Textile Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>Chairman of Chien Shun Trading Co., Ltd.</li> <li>Chairman of Wan Yuan Textiles Co., Ltd.</li> <li>Chairman of Chong Tai Transportation Co., Ltd.</li> <li>Chairman of Ting Fang Investment Co., Ltd.</li> <li>Chairman of Valley View Industrial Co., Ltd.</li> <li>Chairman of Ting Chien Co., Ltd.</li> <li>Chairman of Ting Sing Co., Ltd.</li> <li>Supervisor of The World Champion Co., Ltd.</li> <li>Supervisor of Tai Ve Corporation</li> <li>Supervisor of Summit Packing Industrial Co., Ltd.</li> <li>Director of Ve Wong Co., Ltd.</li> </ul>	2,351,562

Category	Name	Academic Background	Experiences	Current Position	Shareholdings (Unit: Share)
				<ul style="list-style-type: none"> <li>•Director of South China Insurance Co., Ltd.</li> <li>•Director of Taiwan Secom Co., Ltd.</li> <li>•Director of The Ambassador Hotel Co., Ltd.</li> <li>•Director of Fujitec Taiwan Co., Ltd.</li> <li>•Director of Toray International Taipei Inc. Co., Ltd.</li> <li>•Director of Accton Technology Corporation</li> </ul>	
Independent Director	Huang, Shu-Chieh	National Chiao Tung University EMBA	<ul style="list-style-type: none"> <li>• CEO of Deloitte &amp; Touche Taiwan</li> </ul>	None	0
Independent Director	Lee, Fa-Yauh	M.D. Kaohsiung Medical University, Taiwan	<ul style="list-style-type: none"> <li>• Acting Superintendent, Taipei Veterans General Hospital</li> </ul>	<ul style="list-style-type: none"> <li>•Editor-in-Chief, Journal of the Chinese Medical Association</li> </ul>	0
Independent Director	Kuo, Ming-Jian	MBA, Baruch College, City University of New York	<ul style="list-style-type: none"> <li>• Citibank Taipei – Deputy General Manager</li> <li>• Chase Manhattan Bank – Managing Director</li> <li>• H&amp;Q Asia Pacific (Hong Kong) Limited – Managing Director</li> <li>• Blackstone Group (HK) Limited – Vice Chairman</li> <li>• Zoyi Capital Ltd. - Director</li> </ul>	<ul style="list-style-type: none"> <li>•Chairman of Cathay United Bank Co., Ltd.</li> <li>•Chairman of Cathay United Bank(China) Limited</li> <li>•Independent Director of Huali Industrial Group Company Limited</li> <li>•Director of Cathay Holdings</li> <li>•Director of Samson Holding Ltd.</li> <li>•Director of Far East Horizon Limited</li> <li>•Juristic person director of Cathay General Hospital</li> <li>•Director of Longchen Paper Co., Ltd.</li> <li>•Director of Cathay Private Equity Co., Ltd.</li> <li>•Director of Taiwan Farm Industry Co., Ltd.</li> <li>•Director of Cathay Charity Foundation</li> <li>•Director of Cathay Securities Investment Trust Co., Ltd.</li> </ul>	0
Independent Director	Eizo Kobayashi	Osaka University Bachelor of Solid State Physics	<ul style="list-style-type: none"> <li>•ITOCHU Corporation Chairman</li> </ul>	<ul style="list-style-type: none"> <li>•Independent Director of OMRON Corporation</li> <li>•Independent Director of JAPAN AIRLINES</li> <li>•Independent Director of JAPAN EXCHANGE GROUP, INC.</li> </ul>	0

Category	Name	Academic Background	Experiences	Current Position	Shareholdings (Unit: Share)
Independent Director	Ankur Singla	Stanford University M.S., Electrical Engineering	<ul style="list-style-type: none"> <li>• Founder &amp; CEO of Volterra</li> <li>• SVP/GM, Contrail &amp; Appformix of Juniper Network</li> <li>• Board of Directors of Right Relevance, Inc.</li> <li>• Founder &amp; CEO of Contrail Systems</li> </ul>	<ul style="list-style-type: none"> <li>• Sr VP of F5 Networks, Inc.</li> </ul>	0
Independent Director	Avigdor Willenz	Technion-Israel Institute of Technology B.Sc., Electrical Engineering	<ul style="list-style-type: none"> <li>• Founder of Galileo Technologies</li> <li>• Founder and CEO of Annapurna Labs</li> <li>• Founder and Chairman of Habana Labs</li> <li>• Founder and Chairman of Lightbits Labs</li> </ul>	<ul style="list-style-type: none"> <li>• Director of DustPhotonics</li> <li>• Director of Quantum Machines</li> <li>• Chairman of Xsight Labs</li> <li>• Director of Proteantecs Ltd</li> <li>• Director of Empow Cyber Security Ltd.</li> </ul>	0

5. Please adopt this proposal.

**Election results:**

## Discussions (Proposed by the Board of Directors)

**Proposal:** Cancellation of the non-competition restriction on the Company's new directors and their representatives is submitted for resolution.

**Explanation:**

1. Pursuant to Article 209 of the Company Act, "A Director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval."
2. In response to the Company's business needs, the directors of the Company are often assigned to assume directorship in related companies and other companies that are in line with or similar to the Company's business operations. Therefore, it is hereby proposed to cancel the non-competition restriction on the Company's new directors and their representatives, which is submitted for resolution at the Annual Shareholder's Meeting.
3. As the Company adopts a candidate nomination system for the election of its directors and independent directors, and in order to facilitate shareholders' exercise of their voting rights electronically, the Company discloses the list of directors and independent directors for which the non-compete clause has been lifted below.

Category	Name of Candidate	Concurrent Position Held
Director	Huang, Kuo-Hsiu	Chairman of Accton Technology Co., Ltd. Chairman of E-Direct Corporation Chairman of MuXi Technology Co., Ltd. Director of Edgecore Networks Singapore Pte Ltd
Director	Ting Sing Co., Ltd. Representative: Du, Heng-Yi	Chairman of Chien Shun Trading Co., Ltd. Chairman of Wan Yuan Textiles Co., Ltd. Chairman of Chong Tai Transportation Co., Ltd. Chairman of Ting Fang Investment Co., Ltd. Chairman of Valley View Industrial Co., Ltd. Chairman of Ting Chien Co., Ltd. Chairman of Ting Sing Co., Ltd. Supervisor of The World Champion Co., Ltd. Supervisor of Tai Ve Corporation Supervisor of Summit Packing Industrial Co., Ltd. Director of Ve Wong Corporation Director of South China Insurance Co., Ltd. Director of Taiwan Secom Co., Ltd. Director of The Ambassador Hotel Co., Ltd. Director of Fujitec Taiwan Co., Ltd. Director of Toray International Taipei Inc.

Category	Name of Candidate	Concurrent Position Held
Independent Director	Kuo, Ming-Chien	Chairman of Cathay United Bank Co., Ltd. Chairman of Cathay United Bank (China) Limited Director of Longchen Paper & Packaging Co., Ltd. Director of Cathay Holdings Director of Cathay Private Equity Co., Ltd. Director of Taiwan Farm Industry Co., Ltd. Director of Cathay Securities Investment Trust Co., Ltd. Director of Far East Horizon Limited Director of Samson Holding Ltd. Independent Director of Huali Industrial Group Company Limited
Independent Director	Eizo Kobayashi	Independent Director of OMRON Corporation Independent Director of JAPAN AIRLINES Independent Director of JAPAN EXCHANGE GROUP,INC. Director emeritus of ITOCHU Corporation
Independent Director	Ankur Singla	Sr VP of F5 Networks,Inc.
Independent Director	Avigdor Willenz	Director of DustPhotonics Director of Quantum Machines Chairman of Xsight Labs Director of Proteantecs Ltd Director of Empow Cyber Security Ltd.

4. Submitted for resolution.

### **Resolution:**

## **Extemporary Motions**

## **Adjournment**

## **Chapter 3 Attachments**

## 【Attachment 1】

### Accton Technology Corporation 2020 Business Report

Thanks to all shareholders for your love and support for Accton in the past year, and we show our great gratitude. Report is hereby made related to the summary of Accton's business conditions as of 2020 and business plans for 2021.

#### 1. 2020 Business Results

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

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

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

##### (2) Budget Execution Status

In 2020, revenue and profit were above the Company's internal objectives.

##### (3) Analysis of Financial Income and Expenditure and Profitability

The consolidated revenue for the whole year 2020 was NT\$54.463 billion, a decrease of about 1.7% over the previous year; the consolidated gross margin of the whole year was 21%; the consolidated net profit after tax was NT\$5.048 billion, equivalent to the consolidated net profit after tax per share of NT\$9.07.

##### (4) Research and Development Status

The Company will continue to invest in the innovation of cutting-edge technology for hardware and software of network communication, and the key R&D for 2020 are as follows:

1. Invest in the development of Open Network switches and router products, cooperate with internationally renowned software partners and open software to provide cloud computing solutions. We also actively participate in the operation and cooperation of open technology development platforms, including OCP (Open Compute Project), TIP (Telecom Infrastructure Project), ONF (Open Networking Foundation) and other important open technology structural platforms, and participate in the development of various open structural technologies, such as SONiC (Software for Open Network in the Cloud)/DENT.
2. Leading in the industry with the mass production of Hyper Scale Data Center high-density 100G/400G and 800G switches.
3. Leading in the development of high-density 200G/600G fiber optic transmission productions that provides connections between data centers, fulfilling the transmission demand between data centers.



4. Leading in the development of action reversal Cell Site Router and convergence routers and other telecom-grade products so that the open network conforms to the 5G architecture.
5. Leading in the development of SD-WAN products.
6. Leading in the development of 50G/200G EBOF products.
7. Leading in the development of programmable switch products integrating server functions.
8. Leading in the development of optical module switch products.
9. Development of millimeter wave wireless high-speed transmission technology with the Wi-Fi wireless communication technology, mass production of 2.5Gbps point-to-point and point-to-multipoint transmission products, as well as the tri-band omni base station with a transmission rate of 10Gbps, providing a new generation of high-speed wireless network access solutions.
10. Development in wireless network technology, including 5G and Wi-Fi6 and other newly developed wireless network technology products.
11. R&D of 100G smart network card, establish a virtual server network and provide server network offload function to significantly improve the overall computing efficiency.
12. Mass production of the artificial intelligence (AI) inferencing acceleration card, which provides deep learning clustering calculation function required by the data center to be utilized in AI calculation of massive data.
13. In response to the growth of the Company's business and the actual demand of the overall market expansion, the Company established the Accton Zhunan Plant to expand the production capacity of the production base in Taiwan, improve the quality of manufacturing technology and invest in the upgrade of process automation and capacity optimization. Cloud and AI technology are utilized to connect the production machinery cluster and reach the production quality and manufacturing efficiency of intelligent manufacturing.

## **2. Summary of Business Plan for the Current Year**

### **(1) Operating Strategies**

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

### **(2) Production and Sales Policies**

We have taken many actions to expand, protect and diversify our supply chain, to meet the

increasingly rigorous network safety requirements of customers and partners. We have seen potential opportunities for development in emerging markets such India, which also attracts the interest and willingness of customers.

The current production and sales policy is as follows:

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

### **3. Future Development Strategies of the Company**

To increase revenue and profitability, Accton's main development strategies are as follows:

1. Corporate and telecom network customers
  - (a) Provide high-efficiency, high-quality products and services; maintain technological leadership.
  - (b) Strengthen cooperation and partnership strategies to jointly develop new markets, continuously improve operation and strive for the best profits.
  - (c) Provide network equipment that fulfills the future mobile broadband and fixed network requirements in conjunction with chip manufacturers, software developers, solution providers and telecommunication network service operators.
2. Hyper Scale Data Center Customers
  - (a) For Hyper Scale Data Center customers demands, advanced network products equipped with backbone transmission in line with open network architecture and software defined network specifications will be launched.
  - (b) Strengthen the software and hardware platform, provide a friendly software development environment, actively participate in the software open source community and provide open source program testing services.
3. Wireless Network Technology Integration Solutions
  - (a) Strengthen the management of wireless network platform and access control options to meet the needs of timeliness, security and simplified operation and maintenance of various wireless applications.
  - (b) Utilize different radio frequency technologies such as 802.11ax, 802.11ay and 5G NR, the development of wireless network connection products will be completed, and a complete network coverage scheme will be provided.
4. Network Applications and Accelerator Products

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

Integrate IoT application technology, use broadband, mobile/wireless technology, cloud computing technology to develop solutions for artificial intelligence and automation.
6. Improving quality and productivity; strengthening production flexibility and delivery efficiency
  - (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) Implementing QMS (quality management system) feedback management. Improve product planning quality, shorten product development cycle, improve customer satisfaction with high efficiency.
- (d) Developing excellent strategic suppliers and producing standard parts and materials to ensure diversified supply and stable delivery.

#### **4. Impact of External Competition, Legal Environment and Overall Business Environment**

With the global 5G mobile broadband network being built one after another, the demand for network broadband is growing rapidly, cloud applications are increasing continuously. In addition, demand for rapid and secured application services will drive the innovation and business opportunities of network telecommunication equipment. For the future trends in artificial intelligence and the Internet of Things, open architecture and software defined IT will also require a large amount of integrated network equipment, which will drive the next wave of business opportunities. However, the rise of international protectionism and the increasing demand for localization and autonomy of countries will also create new operational challenges and risks. A more flexible global operation strategy shall be adopted to mitigate the risks. Affected by COVID-19, many existing and potential customers cannot pay visits in person during the outbreak, we set out to carry out a series of activities, show our headquarters and manufacturing plants through video and community media, introduce Accton to new customers around the world and ensure that existing customers are not affected by the epidemic. Meanwhile, we provide local customers, partners and employees with a safe conference and interaction environment. The most important thing is that by virtue of our products, cloud and telecommunication partners can provide smooth communication between the company and the team in the blocked state.

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

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

Chairman: Kuo, Fai-Long      Manager: Edgar Masri      Accounting Supervisor: Lin, Meen-Ron

**【Attachment 2】**

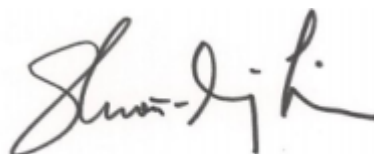
**Accton Technology Corporation**  
**2020 Audit Committee's Review Report**

The Board of Directors has prepared and submitted the Company's 2020 Business Report, Financial Statements, and Earnings Distribution Table, among which the financial statements were audited and completed by Deloitte & Touche, and an audit report was issued. The aforementioned business reports, financial statements, and earnings distribution table have been examined by the Audit Committee and found to be consistent. Please review them in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Sincerely,

2021 Annual Shareholders' Meeting of Accton Technology Corporation

Convener of Audit Committee: Lin, Shiou-Ling

A handwritten signature in black ink, appearing to read 'Shiou-Ling', is written over a faint, circular official stamp.

Mar. 18, 2021

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Accton Technology Corporation

**Opinion**

We have audited the accompanying financial statements of Accton Technology Corporation (the “Company”) which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in the Company's financial statements for the year ended December 31, 2020 are stated as follows:

**Revenue recognition**

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

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

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

1. We obtained an understanding of the internal control design and operating procedures regarding the sales transaction cycle, and we assessed the effectiveness of the internal control operations.
2. We selected appropriate samples from sales and inspected that purchase orders and delivery orders were consistent with invoices.
3. We selected samples of revenue details and confirmed that actual receipts and certificate of remittances were consistent with the recorded amount; we examined relevant documents and checked the credit period of receivables that had not been received.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Cheng Chih Lin and Yu Feng Huang.

The logo for Deloitte & Touche, featuring the company name in a stylized, cursive script.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China  
March 18, 2021

Notice to Readers

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

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



ACCTON TECHNOLOGY CORPORATION

BALANCE SHEETS  
DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)

ASSETS	2020		2019		LIABILITIES AND EQUITY	2020		2019	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 4, 6 and 30)	\$ 2,302,876	7	\$ 3,382,500	11	Contract liabilities - current (Notes 4 and 22)	\$ 914,356	3	\$ 542,726	2
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 30)	1,915,657	6	315,232	1	Trade payables	5,786,272	18	4,787,686	16
Financial assets at fair value through other comprehensive income - current (Notes 4, 8 and 30)	136,947	-	123,235	-	Trade payables to related parties (Note 31)	5,204,304	16	6,937,837	23
Financial assets at amortized cost - current (Notes 4, 9 and 30)	2,824,364	9	4,103,392	14	Bonuses to employees and directors (Note 23)	852,827	3	743,421	2
Notes and Trade receivables, net (Notes 4, 5 and 10)	6,426,497	20	4,162,120	14	Payables to machinery and equipment (Note 30)	79,927	-	123,867	-
Receivables from related parties (Notes 4, 5 and 31)	4,385,603	14	3,782,379	13	Other payables (Note 18)	1,896,544	6	1,759,399	6
Other receivables (Notes 4 and 10)	286,027	1	80,806	-	Other payables to related parties (Note 31)	150,679	-	165,477	1
Other receivables from related parties (Notes 4 and 31)	455,781	1	1,013,925	3	Current tax liabilities (Notes 4 and 24)	1,295,338	4	749,646	3
Inventories (Notes 4, 5 and 11)	5,440,371	17	5,059,526	17	Provisions - current (Notes 4 and 19)	81,224	-	44,380	-
Prepayments (Note 16)	133,637	-	102,990	-	Lease liabilities - current (Notes 4 and 14)	91,079	-	79,771	-
Other current assets (Note 16)	4,940	-	6,186	-	Deferred revenue - current (Notes 17 and 27)	11,075	-	8,317	-
					Refund liabilities - current (Note 22)	16,605	-	3,179	-
Total current assets	24,312,700	75	22,132,291	73	Total current liabilities	16,380,230	50	15,945,706	53
NON-CURRENT ASSETS					NON-CURRENT LIABILITIES				
Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 30)	95,301	-	89,731	1	Long-term borrowings (Notes 17 and 27)	1,163,470	4	920,639	3
Investments accounted for using the equity method (Notes 4, 12 and 31)	6,227,319	19	6,320,171	21	Lease liabilities - non-current (Notes 4 and 14)	378,908	1	429,941	2
Property, plant and equipment (Notes 4, 13 and 31)	1,132,928	4	894,509	3	Deferred revenue - non-current (Notes 17 and 27)	48,094	-	44,044	-
Right-of-use assets (Notes 4 and 14)	477,705	2	521,032	2	Net defined benefit liabilities - non-current (Notes 4 and 20)	29,115	-	26,809	-
Intangible assets (Notes 4, 15 and 31)	70,933	-	49,263	-	Guarantee deposits (Note 30)	816	-	816	-
Deferred tax assets (Notes 4 and 24)	74,915	-	46,294	-	Other non-current liabilities (Note 12)	-	-	4,027	-
Prepayments for equipment	19,573	-	73,028	-	Total non-current liabilities	1,620,403	5	1,426,276	5
Refundable deposits (Note 30)	41,826	-	24,050	-	Total liabilities	18,000,633	55	17,371,982	58
Other non-current assets - other (Notes 16 and 32)	27,773	-	22,000	-					
Total non-current assets	8,168,273	25	8,040,078	27	EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 21 and 26)				
					Share capital				
					Ordinary shares	5,594,564	17	5,580,514	18
					Capital surplus	824,883	3	805,715	3
					Retained earnings				
					Legal reserve	1,843,206	6	1,348,157	4
					Special reserve	538,244	1	307,492	1
					Unappropriated earnings	6,203,663	19	5,347,752	18
					Total retained earnings	8,585,113	26	7,003,401	23
					Other equity	(473,221)	(1)	(538,244)	(2)
					Treasury shares	(50,999)	-	(50,999)	-
					Total equity	14,480,340	45	12,800,387	42
TOTAL	\$ 32,480,973	100	\$ 30,172,369	100	TOTAL	\$ 32,480,973	100	\$ 30,172,369	100

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

# ACCTON TECHNOLOGY CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME

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

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

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

(Continued)

# ACCTON TECHNOLOGY CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (Notes 4, 20 and 21)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (3,907)	-	\$ (10)	-
Unrealized gain on investment in equity instruments at fair value through other comprehensive income	13,712	-	13,913	-
Share of the other comprehensive loss of subsidiaries accounted for using the equity method	13,042	-	(986)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>38,269</u>	<u>-</u>	<u>(219,425)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>61,116</u>	<u>-</u>	<u>(206,508)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 5,109,469</u>	<u>10</u>	<u>\$ 4,743,987</u>	<u>10</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 9.07</u>		<u>\$ 8.91</u>	
Diluted	<u>\$ 8.98</u>		<u>\$ 8.76</u>	

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

(Concluded)

# ACCTON TECHNOLOGY CORPORATION

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company								
						Other Equity		Treasury Shares	Total
						Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings				
BALANCE AT JANUARY 1, 2019	\$ 5,575,899	\$ 795,148	\$ 1,052,912	\$ 253,675	\$ 2,952,758	\$ (273,183)	\$ (34,308)	\$ (50,999)	\$ 10,271,902
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	23,717	-	(23,717)	-	-
Other changes in capital surplus									
Cash dividends received by subsidiaries from parent company	-	8,836	-	-	-	-	-	-	8,836
Appropriation of 2018 earnings									
Legal reserve	-	-	295,245	-	(295,245)	-	-	-	-
Special reserve	-	-	-	53,817	(53,817)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(2,230,684)	-	-	-	(2,230,684)
Net profit for the year ended December 31, 2019	-	-	-	-	4,950,495	-	-	-	4,950,495
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	528	(219,425)	12,389	-	(206,508)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	4,951,023	(219,425)	12,389	-	4,743,987
Share-based payment arrangements	4,615	1,731	-	-	-	-	-	-	6,346
BALANCE AT DECEMBER 31, 2019	5,580,514	805,715	1,348,157	307,492	5,347,752	(492,608)	(45,636)	(50,999)	12,800,387
Other changes in capital surplus									
Cash dividends received by subsidiaries from parent company	-	15,683	-	-	-	-	-	-	15,683
Appropriation of 2019 earnings									
Legal reserve	-	-	495,049	-	(495,049)	-	-	-	-
Special reserve	-	-	-	230,752	(230,752)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(3,462,734)	-	-	-	(3,462,734)
Net profit for the year ended December 31, 2020	-	-	-	-	5,048,353	-	-	-	5,048,353
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(3,907)	38,269	26,754	-	61,116
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	5,044,446	38,269	26,754	-	5,109,469
Share-based payment arrangements	14,050	3,485	-	-	-	-	-	-	17,535
BALANCE AT DECEMBER 31, 2020	\$ 5,594,564	\$ 824,883	\$ 1,843,206	\$ 538,244	\$ 6,203,663	\$ (454,339)	\$ (18,882)	\$ (50,999)	\$ 14,480,340

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

# ACCTON TECHNOLOGY CORPORATION

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

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

(Continued)

# ACCTON TECHNOLOGY CORPORATION

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

	2020	2019
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	\$ -	\$ (1,041)
Proceeds from sale of financial assets at fair value through other comprehensive income	-	35,857
Purchase of financial assets at amortized cost	(9,608,934)	(4,087,480)
Proceeds from sale of financial assets at amortized cost	10,887,962	-
Purchase of financial assets at fair value through profit or loss	(3,890,000)	(2,260,000)
Proceeds from sale of financial assets at fair value through profit or loss	2,294,973	1,946,764
Net cash outflow on acquisition of subsidiaries	-	(35,316)
Net cash inflow on disposal of subsidiaries	-	5
Acquisition of property, plant and equipment	(526,466)	(651,528)
Proceeds from disposal of property, plant and equipment	1,056	1,029
Increase in refundable deposits	(17,776)	(11,762)
Acquisition of intangible assets	(56,988)	(44,733)
Interest received	68,279	56,892
Dividends received	8,138	8,937
Net cash used in from investing activities	<u>(839,756)</u>	<u>(5,042,376)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	2,700,000	100,000
Repayments of short-term borrowings	(2,700,000)	(100,000)
Proceeds from long-term borrowings	345,000	1,073,000
Repayments of long-term borrowings	(100,000)	(100,000)
Guarantee deposits refunded	-	(10)
Repayment of the principal portion of lease liabilities	(99,095)	(73,934)
Dividends paid to owners of the Company	(3,462,734)	(2,230,684)
Employee share options	17,535	6,346
Net cash used in financing activities	<u>(3,299,294)</u>	<u>(1,325,282)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>	<u>68,906</u>	<u>(250,999)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(1,079,624)</u>	<u>874,705</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>3,382,500</u>	<u>2,507,795</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 2,302,876</u>	<u>\$ 3,382,500</u>

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

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Accton Technology Corporation

### Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in the Group's consolidated financial statements for the year ended December 31, 2020 are stated as follows:

#### Revenue recognition

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

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

revenue as a key audit matter.

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

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

1. We obtained an understanding of the internal control design and operating procedures regarding the sales transaction cycle, and we assessed the effectiveness of the internal control operations.
2. We selected appropriate samples from sales and inspected that purchase orders and delivery orders were consistent with invoices.
3. We selected samples of revenue details and confirmed that actual receipts and certificate of remittances were consistent with the recorded amount; we examined relevant documents and checked the credit period of receivables that had not been received.

### **Other Matter**

We have also audited the parent company only financial statements of the Group as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

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

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

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

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China,



we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Cheng Chih Lin and Yu Feng Huang.



Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 18, 2021

Notice to Readers

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

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

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)

ASSETS	2020		2019		LIABILITIES AND EQUITY	2020		2019	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 4, 6 and 32)	\$ 4,894,509	16	\$ 6,221,855	21	Contract liabilities - current (Notes 4 and 24)	\$ 958,519	3	\$ 592,137	2
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 32)	2,413,955	8	315,232	1	Trade payables	8,639,267	28	9,935,396	34
Financial assets at fair value through other comprehensive income - current (Notes 4, 8 and 32)	192,943	1	173,445	1	Bonuses to employees and directors (Note 25)	1,031,443	3	980,731	3
Financial assets at amortized cost - current (Notes 4, 9 and 32)	3,197,704	10	4,288,364	14	Payables to machinery and equipment	104,220	-	129,601	1
Notes and trade receivables, net (Notes 4, 5 and 10)	8,847,386	28	6,968,202	24	Other payables (Note 20)	2,420,184	8	2,587,222	9
Trade receivables from related parties (Notes 4, 5 and 33)	376	-	2,858	-	Other payables to related parties (Note 33)	1,867	-	2,270	-
Other receivables (Notes 4, 10 and 26)	337,084	1	143,217	-	Current tax liabilities (Notes 4 and 26)	1,349,251	4	779,000	3
Other receivables from related parties (Notes 4 and 33)	9,815	-	10,558	-	Provisions - current (Notes 4 and 21)	84,389	-	45,966	-
Inventories (Notes 4, 5 and 11)	8,179,022	26	8,716,933	30	Lease liabilities - current (Notes 4 and 15)	170,641	1	129,095	-
Prepayments (Note 18)	356,477	1	183,710	1	Deferred revenue - current (Notes 19 and 29)	11,075	-	8,317	-
Other current assets	11,030	-	24,160	-	Refund liabilities - current (Note 24)	60,601	-	48,113	-
Total current assets	28,440,301	91	27,048,534	92	Total current liabilities	14,831,457	47	15,237,848	52
NON-CURRENT ASSETS					NON-CURRENT LIABILITIES				
Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 32)	136,757	1	186,740	1	Long-term borrowings (Notes 19 and 29)	1,163,470	4	920,639	3
Financial assets at amortized cost (Notes 4, 9 and 32)	-	-	30,292	-	Lease liabilities - non-current (Notes 4 and 15)	566,944	2	471,466	2
Investments accounted for using the equity method (Notes 4 and 13)	12,929	-	14,369	-	Deferred revenue - non-current (Notes 19 and 29)	48,094	-	44,044	-
Property, plant and equipment (Notes 4 and 14)	1,502,317	5	1,324,280	5	Net defined benefit liabilities - non-current (Notes 4 and 22)	29,115	-	27,433	-
Right-of-use assets (Notes 4 and 15)	740,798	3	610,721	2	Guarantee deposits (Note 32)	816	-	4,414	-
Goodwill (Notes 4 and 16)	1,930	-	1,930	-	Other non-current liabilities	-	-	12,266	-
Intangible assets (Notes 4 and 17)	74,442	-	53,527	-	Total non-current liabilities	1,808,439	6	1,480,262	5
Deferred tax assets (Notes 4 and 26)	78,510	-	50,438	-	Total liabilities	16,639,896	53	16,718,110	57
Prepayments for equipment	21,856	-	93,156	-	EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 23 and 28)				
Refundable deposits (Note 32)	66,427	-	45,334	-	Share capital				
Other non-current assets (Notes 18 and 34)	46,702	-	61,766	-	Ordinary shares	5,594,564	18	5,580,514	19
Total non-current assets	2,682,668	9	2,472,553	8	Capital surplus	824,883	3	805,715	3
					Retained earnings				
					Legal reserve	1,843,206	6	1,348,157	4
					Special reserve	538,244	2	307,492	1
					Unappropriated earnings	6,203,663	20	5,347,752	18
					Total retained earnings	8,585,113	28	7,003,401	23
					Other equity	(473,221)	(2)	(538,244)	(2)
					Treasury shares	(50,999)	-	(50,999)	-
					Total equity attributable to owners of the Company	14,480,340	47	12,800,387	43
					NON-CONTROLLING INTERESTS (Notes 4 and 23)	2,733	-	2,590	-
					Total equity	14,483,073	47	12,802,977	43
TOTAL	\$ 31,122,969	100	\$ 29,521,087	100	TOTAL	\$ 31,122,969	100	\$ 29,521,087	100

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

# ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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

(Continued)

# ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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

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

(Concluded)

# ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company										
	Share Capital	Capital Surplus	Retained Earnings			Other Equity		Treasury Shares	Total	Non-controlling Interests	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
BALANCE AT JANUARY 1, 2019	\$ 5,575,899	\$ 795,148	\$ 1,052,912	\$ 253,675	\$ 2,952,758	\$ (273,183)	\$ (34,308)	\$ (50,999)	\$ 10,271,902	\$ 6,694	\$ 10,278,596
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	23,717	-	(23,717)	-	-	-	-
Other changes in capital surplus											
Cash dividends received by subsidiaries from parent company	-	8,836	-	-	-	-	-	-	8,836	-	8,836
Appropriation of 2018 earnings											
Legal reserve	-	-	295,245	-	(295,245)	-	-	-	-	-	-
Special reserve	-	-	-	53,817	(53,817)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(2,230,684)	-	-	-	(2,230,684)	-	(2,230,684)
Net profit (loss) for the year ended December 31, 2019	-	-	-	-	4,950,495	-	-	-	4,950,495	(923)	4,949,572
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	528	(219,425)	12,389	-	(206,508)	(3,181)	(209,689)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	4,951,023	(219,425)	12,389	-	4,743,987	(4,104)	4,739,883
Share-based payment arrangements	4,615	1,731	-	-	-	-	-	-	6,346	-	6,346
BALANCE AT DECEMBER 31, 2019	5,580,514	805,715	1,348,157	307,492	5,347,752	(492,608)	(45,636)	(50,999)	12,800,387	2,590	12,802,977
Other changes in capital surplus											
Cash dividends received by subsidiaries from parent company	-	15,683	-	-	-	-	-	-	15,683	-	15,683
Appropriation of 2019 earnings											
Legal reserve	-	-	495,049	-	(495,049)	-	-	-	-	-	-
Special reserve	-	-	-	230,752	(230,752)	-	-	-	-	-	-
Special reserve	-	-	-	-	(3,462,734)	-	-	-	(3,462,734)	-	(3,462,734)
Net profit for the year ended December 31, 2020	-	-	-	-	5,048,353	-	-	-	5,048,353	287	5,048,640
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(3,907)	38,269	26,754	-	61,116	(144)	60,972
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	5,044,446	38,269	26,754	-	5,109,469	143	5,109,612
Share-based payment arrangements	14,050	3,485	-	-	-	-	-	-	17,535	-	17,535
BALANCE AT DECEMBER 31, 2020	\$ 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

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

# ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 6,212,895	\$ 6,129,645
Adjustments for:		
Depreciation	636,471	508,342
Amortization	38,527	30,980
Expected credit gain	(2,679)	(2,584)
Net loss on fair value changes of financial assets designated as at fair value through profit or loss	27,621	19,529
Finance costs	38,094	18,288
Interest income	(90,044)	(99,913)
Dividend income	(9,797)	(8,937)
Share of loss of associates	1,440	2,209
Loss (gain) on disposal of property, plant and equipment	878	(436)
Loss (gain) on disposal of subsidiaries	48	(3,337)
(Reversal) write-downs of inventories	(24,231)	28,819
Unrealized (gain) loss on foreign currency exchange	(69,700)	11,749
Amortization of grant revenue	(10,761)	(2,576)
(Gain) loss on lease modification	(39)	231
Changes in operating assets and liabilities		
Notes and trade receivables	(1,850,351)	931,985
Trade receivables from related parties	2,475	2,729
Other receivables	(204,239)	46,130
Other receivables from related parties	743	3,122
Inventories	562,142	(931,462)
Prepayments	(172,767)	(22,747)
Other current assets	13,130	(3,683)
Contract liabilities	366,382	210,123
Trade payables	(1,328,206)	1,293,711
Other payables	(69,229)	1,629,723
Other payables to related parties	(403)	(1,091)
Provisions	38,502	(98,575)
Refund liabilities	12,488	(80,317)
Net defined benefit liabilities	(2,225)	(634)
Cash generated from operations	4,117,165	9,611,023
Interest paid	(22,684)	(15,651)
Income tax paid	(622,076)	(984,135)
Net cash generated from operating activities	<u>3,472,405</u>	<u>8,611,237</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	-	(1,041)
Proceeds from sale of financial assets at fair value through other comprehensive income	-	35,857
Purchase of financial assets at amortized cost	(10,174,508)	(4,454,449)

(Continued)

# ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

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

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



## **Chapter 4 Appendices**

## 【Appendix 1】

### Accton Technology Corporation Articles of Association

#### Chapter 1 General Provisions

- Article 1 : The Company is established in accordance with the Company Act, with the name Accton Technology Corporation.
- Article 2 : The Company undertakes the following businesses:
1. CC01060 Wired Communication Equipment and Apparatus Manufacturing
  2. CC01070 Telecommunication Equipment and Apparatus Manufacturing
  3. F401010 International Trade
  4. F401021 Restrained Telecom Radio Frequency Equipment and Materials Import
    - (1) Radio transmitter
    - (2) Radio transceiver
    - (3) Radio receiver
    - (4) Radiation-emitting industrial, scientific, medical electronic device
    - (5) Other electronic device that generates wireless radiant energy
  5. CC01101 Restrained Telecom Radio Frequency Equipment and Materials Manufacturing
    - (1) Radio transmitter
    - (2) Radio transceiver
    - (3) Radio receiver
    - (4) Radiation-emitting industrial, scientific, medical electronic device
    - (5) other electronic device that generates wireless radiant energy
  6. CC01080 Electronic Parts and Components Manufacturing
  7. Research, develop, produce, manufacture, and sales on the following products:
    - (1) Computer network system including hardware, system software, web application software, and network workstation.
    - (2) Customer premises equipment including hardware, system software and application software.
    - (3) Optoelectronic communication subsystem including optical network, optoelectronic communication module, fiber optic repeater.
    - (4) Application-specific integrated circuit (ASIC) related to the aforementioned products.
    - (5) Uninterruptible power supply, power supply unit, and components relating to the aforementioned products.
    - (6) Integrated services digital network point-of-sale system
    - (7) Integrated services digital network demultiplexer
    - (8) Cellular mobile telephone network packet data system
    - (9) Wireless local area network
    - (10) Wireless subscriber loop system
    - (11) Satellite phone and related communication equipment, product related technology consulting, installation, maintenance, engineering design service,

consultancy service and network service, and technology transfer.

(12) Internet phone and related communication equipment, and product-related technology consulting, installation, maintenance, engineering design service, consultancy and network service, and technology transfer.

(13) Import and export business related to the Company's business.

- Article 2-1 : The Company's total investment may exceed 40% of its paid-up capital.
- Article 2-2 : The Company may make endorsement/guarantee for external parties due to business requirements.
- Article 3 : The Company set up its headquarters at No. 1, Yanxin 3rd Rd., Hsinchu Science Park, Hsinchu City, and may establish subsidiaries at home or abroad where necessary, upon resolution of the Board of Directors and approval of the competent authority.
- Article 4 : The Company's public notice shall be in accordance to the relevant regulations of the Company Act, unless otherwise stated by the competent authority for securities.

## Chapter 2 Shareholding

- Article 5 : The paid-up capital of the Company shall be NT\$8.8 billion, divided as 880,000,000 shares, with a par value of NT\$10 per share, and may be issued in installments. 87,000,000 shares from the total paid-up capital in the preceding paragraph shall be retained as subscription warrant, corporate bonds with warrants, and exercise of stock options for preferred shares with warrants, and may be issued in instalments by a resolution of the Board of Directors.
- Article 6 : The shares issued by the Company shall be registered shares. They shall be affixed with the signatures or personal seals of more than three directors, assigned serial numbers, and shall be duly certified or authenticated by the institution which is competent to certify shares under the laws before issuance thereof.
- Article 6-1 : The Company may be exempted from printing any stock certificate for the shares issued. However, the Company shall appoint a centralized securities depository enterprise to register such shares.
- Article 6-2 : To transfer shares to employees at less than the average actual share repurchase price, the Company shall act pursuant to Article 10-1 and Article 13 of the Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies, and obtain the consent of at least two-thirds of the voting rights present at the most recent shareholders' meeting attended by shareholders representing a majority of total issued shares.
- Article 6-3 : To issue employee stock warrants with subscription price lower than market price, the Company shall act pursuant to Article 56-1 and Article 76 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, and obtain the consent of at least two-thirds of the voting rights represented at a shareholders' meeting attended by shareholders representing a majority of the total issued shares.
- Article 7 : The transfer of shares shall be suspended within 60 days prior to the convening date of a general shareholders' meeting, or within 30 days prior to the convening date of a special shareholders' meeting, or within 5 days prior to the target date fixed by the Company for distribution of dividends, bonus, or other benefits.
- Article 7-1 : Share-related matters of the Company are handled in accordance with the Regulations Governing the Administration of Shareholder Services of Public Companies promulgated by the competent authorities.

## Chapter 3 Shareholders' meeting

- Article 8 : Shareholders' meetings comprise of two types: General shareholders' meeting and Special shareholders' meeting. General shareholders' meetings shall be convened once a year within six months from the end of each fiscal year. Special shareholders' meetings may be convened when necessary in accordance with the laws.

- Article 8-1: : A notice to convene a general shareholders' meeting shall be given to each shareholder no later than 30 days prior to the scheduled meeting date, and no later than 45 days for shareholders holding bearer share certificates. A notice to convene a special shareholders' meeting shall be given to each shareholder no later than 15 days prior to the scheduled meeting date, and no later than 30 days for shareholders holding bearer share certificates.
- Article 9 : A shareholder may appoint a proxy to attend a shareholders' meeting on his/her/its behalf by executing a proxy form stating therein the scope of power authorized to the proxy. Method of attendance by proxy, besides acting pursuant to the regulations stated in Article 177 of the Company Act, shall also follow the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies promulgated by the competent authority.
- Article 10 : Unless otherwise stated in relevant laws and regulations, a shareholder shall have one vote for each share held.
- Article 11 : Resolutions at a shareholders' meeting shall, unless otherwise provided for in the Company Act, be adopted by a majority vote of the shareholders present, who represent a majority of the total number of voting shares.

#### Chapter 4 Directors and Audit Committee

- Article 12 : The Company shall have 5 to 9 directors, with at least 3 independent directors, and at least one-fifth of the board seats, for a term of 3 years. Election of directors adopts a candidate nomination system, and the shareholders shall elect the directors from among the nominees listed in the roster of director candidates, and the directors are eligible for re-election. Independent and non-independent directors are elected at the same time, but in separately calculated numbers.
- The nomination and election methods for director candidates, and independent director's professional qualifications, restrictions on both shareholding and concurrent positions held, and other matters to be complied, shall follow relevant laws and regulations such as Company Act and Securities and Exchange Act.
- Article 12-1 : The Company may take out directors liability insurance with respect to liabilities resulting from exercising their duties during their terms of occupancy.
- Article 12-2 : The following relationships may not exist among more than half of the Company's directors:
- (1) Spouse
  - (2) Relatives within the second degree of kinship.
- Article 12-3 : The Company shall act pursuant to Article 14-4 of the Securities and Exchange Act and establish an Audit Committee, composing the entire number of independent directors.
- The number, term of office, responsibilities, and rules of procedures, of the Audit Committee, shall be separately stipulated under the Audit Committee Charter in accordance with the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies.
- Article 13 : The Board of Directors shall elect a Chairman and a Vice Chairman of the Board Directors from among the directors by a majority vote at a meeting attended by over two-thirds of the directors. The Chairman of the Board of Directors shall internally preside the shareholders' meeting and the meeting of the Board of Directors, and shall externally represent the Company. When a director is absent, he/she shall appoint another director to attend the meeting as proxy by executing a proxy form stating the scope of power authorized to the proxy.
- The reasons for calling a Board of Directors and Audit Committee meeting shall be notified to each director at least seven days in advance. In emergency circumstances, however, a meeting may be called on shorter notice. The notice set forth in the preceding paragraph may be effected in writing, such as letter, fax, or e-mail. Except as otherwise stated in the Company Act, a resolution on a matter at a Board of Directors

meeting requires the approval of a majority of the directors present at the meeting that shall be attended by a majority of all directors.

Article 14 : In case the Chairman of the Board of Directors is on leave, absent, or cannot exercise his/her power and authority for any cause, his/her representative shall be selected according to Article 208 of the Company Act.

Article 14-1 : The duties and power of the Board of Directors are as follows:

1. Review and approval of business plan.
2. Review and approval of profit distribution.
3. Review and approval of capital increase/decrease.
4. Review and approval of important rules and regulations and contracts.
5. Appointing or dismissal of the General Manager and Deputy General Managers.
6. Establishing or abolishing branches.
7. Review and approval of budget and final accounts.
8. Review and approval of real estate purchase/sales and investment in other businesses.
9. Appointment of directors and supervisors in subsidiaries and re-invested companies.
10. Decisions of other important items.

Article 15 : The Board of Directors is delegated to determine the remuneration to directors based on their involvement in the Company's business operation and their contributions to the Company with reference to the remuneration standard of the industry.

#### Chapter 5 Managers

Article 16 : The Company may have managerial personnel whose appointment, discharge and remuneration shall be handled in accordance with the Company Act.

#### Chapter 6 Accounting

Article 17 : Upon closing of each fiscal year of the Company, the Board of Directors shall prepare various reports and financial statements in accordance to the regulations:

1. Business report
2. Financial statements
3. Surplus earnings distribution or loss make-up proposal, to be submitted to the shareholders' meeting for approval.

Article 18 : 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.

However, the Company shall reserve a specific amount to make up for losses if it still has accumulated losses, and in case of accumulated losses, 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.

## Chapter 7 Supplementary Provisions

- Article 19 : 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 cash dividend shall not be less than 50% of the total dividend.

- Article 20 : In regard to all matters not provided for in the Articles of Association, the Company Act or other laws and regulations shall govern.

- Article 21 : The Articles of Association was established on The 1st amendment was on The second amendment was made on August 25, 1988. The third amendment was made on April 27, 1989. The fourth amendment was made on September 23, 1989. The fifth amendment was made on January 25, 1990. The sixth amendment was made on February 9, 1990. The seventh amendment was made on March 1, 1990. The eighth amendment was made on May 25, 1990. The ninth amendment was made on September 22, 1990. The tenth amendment was made on March 20, 1991. The eleventh amendment was made on April 13, 1992. The twelfth amendment was made on May 26, 1993. The thirteenth amendment was made on April 28, 1994. The fourteenth amendment was made on May 29, 1995. The fifteenth amendment was made on June 25, 1996. The sixteenth amendment was made on May 9, 1997. The seventeenth amendment was made on December 15, 1998. The eighteenth amendment was made on. The nineteenth amendment was made on. The twentieth amendment was made on. The twenty-first amendment was made on. The twenty-second amendment was made on. The twenty-third amendment was made on. The twenty-fourth amendment was made on. The twenty-fifth amendment was made on June 17, 2003. The twenty-sixth amendment was made on. The twenty-seventh amendment was made on June 15, 2004. The twenty-eighth amendment was made on. The 29th amendment was on June 4, 2010. The 30th amendment was on June 9, 2011. The 31st amendment was on June 19, 2012. The 32nd amendment was on June 13, 2014. The 33rd amendment was on June 10, 2015. The 34th amendment was on June 17, 2016. The 35th amendment was on June 13, 2018.

Accton Technology Corporation

Chairman: Kuo, Fai-Long

**Accton Technology Corporation**  
**Rules of Procedure for Shareholders' Meetings**

- Article 1 : The Company's shareholders' meetings shall be handled as per the Rules.
- Article 2 : The rules and procedures for the Company's shareholders' meetings, except as otherwise provided by laws and regulations, or the articles of association, shall be in accordance with the Rules.
- Article 3 : For each shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization.  
A shareholder shall issue a power of attorney and designated one proxy only, and shall deliver the power of attorney to the Company five days before the shareholders' meeting. If more than one powers of attorney are delivered, the earliest one received by the Company shall prevail. However, this restriction does not apply when a statement is made to revoke the earlier power of attorney.  
After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company 2 business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.
- Article 4 : The venue for a shareholders' meeting shall be at the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders' meeting. The meeting shall begin no earlier than 9 a.m. and no later than 3 p.m.
- Article 5 : The Company shall indicate on the meeting notice the check-in time and location and other matters for attention.  
Registration for shareholders referred to in the preceding paragraph shall begin at least thirty minutes before the meeting. There shall be clear signs and sufficient and adequate staff at the registration desk.  
Shareholders and their proxies (hereafter collectively referred to as "shareholders") shall attend shareholders' meetings with attendance cards, sign-in cards, or other certificates of attendance. Solicitors soliciting proxy forms shall also bring identification documents for verification.  
The Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.  
The Company shall deliver the meeting agendas, annual reports, attendance cards, speaker's slip, votes and other meeting materials to the shareholders attending the shareholders' meeting. If there are Directors to be elected, the ballots shall also be provided.  
When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders' meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.
- Article 6 : The Chairman of the Board shall chair shareholders' meetings if the meeting is convened by the Board of Directors. In the event the Chairman is on leave or unable to exercise his/her authority, the Vice Chairman, if available, shall act on his/her behalf. In the absence of a Vice Chairman, or the Vice Chairman is also on leave or unable to exercise his/her authority, the Chairman shall designate a managing director to act on his/her behalf. In the absence of Managing Directors, a director shall be designated. If none has been designated by the Chairman, a managing director or director shall be elected to act on the Chairman's behalf from among all managing directors or directors of the Company.

When a managing director or a director is to chair the meeting as described in the preceding paragraph, such managing director or director shall have held that position for at least six months and who is familiar with the financial and business conditions of the Company. The same principle applies for representatives of juristic person directors.

Shareholders' meetings convened by the Board of Directors shall be attended by a majority of the directors.

For a shareholders' meeting convened by any other person having the convening right, he/she shall act as the chairman of that meeting. However, if there are two or more persons having the convening right, the chairman of the meeting shall be elected from among themselves.

The Company may appoint its attorneys, certified public accountants (CPA), or other related persons to attend a shareholders' meeting in a non-voting capacity.

Article 7 : The Company shall make an audio and video recording of the entire shareholders' meeting, and retain it for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, it shall be retained until the conclusion of the litigation.

Article 8 : Attendance at shareholders' meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book or sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically. If the chair does not accept the shareholders' proposal to count the number of attendees, the motion is deemed to have passed if a statutory number is reached during the vote.

The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, Paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within one month.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders' meeting pursuant to Article 174 of the Company Act.

Article 9 : If a shareholders' meeting is convened by the Board of Directors, the agenda shall be set by the Board of Directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting.

The provisions of the preceding paragraph apply mutatis mutandis to a shareholders' meeting convened by a party with the power to convene that is not the Board of Directors.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders' meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the Board of Directors shall promptly assist the attending shareholders in electing a new chair according to statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote.



- Article 10 : Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number) and account name. The order in which shareholders speak will be set by the chair.
- A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.
- Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.
- When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.
- When a juristic person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal.
- After an attending shareholder has spoken, the chair may respond in person or designate a directly relevant member of personnel to respond.
- Article 11 : Voting at a shareholders' meeting shall be calculated based on the number of shares.
- With respect to the resolutions of shareholders' meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.
- When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, such a shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.
- The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.
- With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as a proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3% of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.
- Article 12 : A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or shall be recused, or are deemed non-voting shares under Article 179, Paragraph 2 of the Company Act.
- When the Company holds a shareholders' meeting and allows the shareholders to exercise voting rights by correspondence or electronic means, the method of exercise shall be specified in the shareholders' meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person. However, his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting are deemed to have been waived.
- A shareholder intending to exercise voting rights by correspondence or electronic transmission under the preceding Paragraph shall deliver a written declaration of intent to the Company two days before the date of the shareholders' meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail. However, this restriction does not apply when a declaration is made to cancel an earlier declaration of intent.
- After a shareholder has exercised voting rights by correspondence or electronic means, in the event that the shareholder intends to attend the shareholders' meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, 2 days before the date of the shareholders' meeting. If

the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders' meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Voting rights exercised by correspondence or electronic means shall be tallied and verified before the shareholders' meeting is convened.

The Company adopting exercising of voting rights by correspondence or electronic means shall compile a statistical statement of the number of shares of shareholders represented in writing or electronic means on the day when the shareholders' meeting is convened, and disclose the statistics clearly at the shareholders' meeting venue.

Except as otherwise provided in the Company Act, the Company's articles of association, and relevant laws and regulations, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the Market Observation Post System (MOPS).

When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company.

Vote counting for shareholders' meeting proposals or elections shall be conducted in public at the place of the shareholders' meeting. Immediately after vote counting has been completed, the results and the number of votes, including weights, shall be announced on-site immediately and recorded.

Article 13 : When there is a Director election in the shareholders' meeting, the election shall be conducted in accordance with the applicable election and appointment rules of the Company. The results of the election shall be announced immediately at the meeting, on-site, including the list of Directors elected and the number of voting rights thereof. The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, it shall be retained until the conclusion of the litigation.

Article 14 : Staff handling administrative affairs of a shareholders' meeting shall wear identification cards or armbands.

The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."

At the place of a shareholders' meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the chair may prevent the shareholder from so doing.

When a shareholder violates the rules of procedure and defies the chair's correction, obstructs the proceedings, and refuses to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder out from the venue of the meeting.

Article 15 : When the meeting is held, the chairperson may announce a break. When an unpreventable event occurs, the chairperson may decide to temporarily suspend the meeting and announce the time for the meeting to be resumed depending on the conditions.

If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders' meeting may adopt a resolution to resume the meeting at another venue. A resolution may be adopted at a shareholders' meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.

Article 16 : The Rules, and any amendments hereto, shall be implemented after adoption by shareholders' meetings.

Article 17 : The first amendment was made on May 27, 1996. Second amendment made on June 3, 2002. Third amendment made on June 9, 2006. Fourth amendment made on June 19, 2012. Fifth amendment made on June 13, 2014. Sixth amendment made on Jun. 13, 2018.

## **【Appendix 3】**

### **Accton Technology Corporation Procedures for Election of Directors**

Article 1 : The election of the Company's directors shall be conducted in accordance with these Procedures.

Article 2 : The election of the Company's directors (including independent directors) adopts a candidate nomination system.

The election of the Company's directors (including independent directors) adopts a cumulative voting system. Each share will have voting rights in number equal to the directors to be elected, and shall be cast for a single candidate or split among multiple candidates. According to the electronic communication platform and the voting results, those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes.

The election for independent and non-independent directors shall be held at the same time, but the numbers to be elected shall be calculated separately. Attendance card numbers printed on the ballots shall be used instead of recording the names of voting shareholders.

The nomination and election methods for director candidates, and independent director's professional qualifications, restrictions on both shareholding and concurrent positions held, and other matters to be complied with, shall follow relevant laws and regulations such as the Company Act and Securities and Exchange Act.

No more than half of the Company's directors shall have the following relationships.

Article 2-1 : 1. Spouse.

2. Relatives within the second degree of kinship.

Article 3 : Before the election begins, the chair shall appoint a number of persons with shareholder status to perform the duties of a scrutineer and relevant duties.

Article 4 : Regarding the election of directors, when two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner. The chair shall draw lots on behalf of any absent persons.

Article 5 : Election ballots shall be prepared and issued by the board of directors. Attendance card numbers and the number of votes shall be clearly stated. Ballots shall not be prepared and issued for those who exercise voting rights by electronic means

Article 6 : For shareholder candidates, voters shall fill in the candidate's name and shareholder account number in the "candidate column". For non-shareholder candidates, the candidate's name and identification number shall be filled in.

However, when the candidate is a governmental organization or juristic-person shareholder, the name of the governmental organization or juristic-person shareholder shall be filled in the column for the candidate's account name in the ballot paper, or both the name of the governmental organization or juristic-person shareholder and the name of its representative shall be filled in. When there are multiple representatives, the names of each respective representative shall be filled in.

Stamps shall be used instead when the shareholder fills in the name, account number, and identification number of the candidate in the preceding paragraph.

Voters who vote by electronic means shall fill in the number of candidates and enter the number of voting rights that should be allocated. The number of candidates selected shall not exceed the number to be elected, the total number of voting rights allocated shall not exceed the total number of voting rights held by the voter.

- Article 7 : Ballots are invalid under any of the following circumstances, the voting rights of which shall not be included under the name of such candidate:
1. Failure to comply with Article 5 of these Procedures.
  2. Voting for more than 2 candidates on the same ballot.
  3. Ballots that were not cast into the ballot box and blank ballots.
  4. Ballots with other unwanted words, apart from the candidate's name and its shareholder account number or identification number.
  5. The writing is unclear and indecipherable or has been altered.
  6. The name of the candidate filled in does not match those listed in the shareholder register; the candidate filled in is not a shareholder, and the name and identification number do not match.
  7. Failure to comply with Article 6.
  8. The name of the candidate filled in the ballot is identical to that of another shareholder, and no shareholder account number or identification number is provided in the ballot.
- Article 8 : After voting, the ballot will be opened on the spot under the supervision of a scrutineer. The results of the ballot will be announced by the chair or his designated person.
- Article 9 : The elected directors shall be issued a notice of election by the Company.
- Article 10 : Matters not stipulated in these Procedures are handled in accordance with the Company Act and relevant laws and regulations, the Company's Articles of Incorporation, and the Rules of Procedure for Shareholders Meetings.
- Article 11 : These Procedures, and any amendments thereto, shall be implemented after approval by a shareholders meeting.
- Article 12 : The first amendment was made on May 27, 1996. The second amendment was made on June 9, 2006. The third amendment was made on June 19, 2012. The fourth amendment was made on June 13, 2014. The fifth amendment was made on November 10, 2017.

**【Appendix 4】**

**Accton Technology Corporation**  
**Shareholding Status of All Directors**  
**Book closure date of stock transfer: Apr. 19, 2021**

<b>Job Title</b>	<b>Name</b>	<b>Number of Shares Held</b>
Chairman	Kuan Xin Investment Corp. Representative: Kuo, Fai-Long	7,070,000
Director	Kuan Xin Investment Corp. Representative: Lin, Meen-Ron	7,070,000
Director	Ting Sing Co., Ltd. Representative : Du, Heng-Yi	2,351,562
Independent Director	Chang, Chih-Ping	0
Independent Director	Chen, Shuh	0
Independent Director	Lin, Shiou-Ling	0
Independent Director	Chen, Wei-Zen	0
Total		9,421,562

Note: 1. As of Apr. 19, 2021, the total number of shares issued by the Company is 559,838,397.

2. Independent Director Liu, Chung-Laung passed away on Nov. 7, 2020;

Mr. Huang, Kuo-Hsiu resigned his post as director on Jan. 26, 2021.

3. The independent directors selected by the Company exceed half of the seats of all directors, and an Audit Committee has been set up according to the law. The provision that the shareholding ratio of all directors and supervisors shall not be less than a certain ratio does not apply.

MEMO

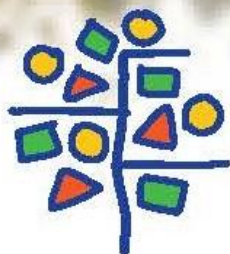
MEMO





**Accton**

Making Partnership Work



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