

Accton Technology Corporation

**Financial Statements for the
Years Ended December 31, 2020 and 2019 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Accton Technology Corporation

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Revenue recognition

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

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may

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

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

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

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

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

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



Deloitte & Touche
Taipei, Taiwan
Republic of China

March 18, 2021

Notice to Readers

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

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

ACCTON TECHNOLOGY CORPORATION

BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

ASSETS	2020		2019		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	<u>24,312,700</u>	<u>75</u>	<u>22,132,291</u>	<u>73</u>	Total current liabilities	<u>16,380,230</u>	<u>50</u>	<u>15,945,706</u>	<u>53</u>
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	<u>1,620,403</u>	<u>5</u>	<u>1,426,276</u>	<u>5</u>
Refundable deposits (Note 30)	41,826	-	24,050	-	Total liabilities	<u>18,000,633</u>	<u>55</u>	<u>17,371,982</u>	<u>58</u>
Other non-current assets - other (Notes 16 and 32)	27,773	-	22,000	-	EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 21 and 26)				
Total non-current assets	<u>8,168,273</u>	<u>25</u>	<u>8,040,078</u>	<u>27</u>	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	<u>14,480,340</u>	<u>45</u>	<u>12,800,387</u>	<u>42</u>
TOTAL	<u>\$ 32,480,973</u>	<u>100</u>	<u>\$ 30,172,369</u>	<u>100</u>	TOTAL	<u>\$ 32,480,973</u>	<u>100</u>	<u>\$ 30,172,369</u>	<u>100</u>

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

ACCTON TECHNOLOGY CORPORATION

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

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

(Continued)

ACCTON TECHNOLOGY CORPORATION

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

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

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

(Concluded)

ACCTON TECHNOLOGY CORPORATION

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

	Equity Attributable to Owners of the Company						Other Equity		Total
	Share Capital	Capital Surplus	Retained Earnings			Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares	
			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
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ -	\$ (1,041)
Proceeds from sale of financial assets at fair value through other comprehensive income	-	35,857
Purchase of financial assets at amortized cost	(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>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	2,700,000	100,000
Repayments of short-term borrowings	(2,700,000)	(100,000)
Proceeds from long-term borrowings	345,000	1,073,000
Repayments of long-term borrowings	(100,000)	(100,000)
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>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>68,906</u>	<u>(250,999)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,079,624)	874,705
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>3,382,500</u>	<u>2,507,795</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,302,876</u>	<u>\$ 3,382,500</u>

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

(Concluded)

ACCTON TECHNOLOGY CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

1. GENERAL INFORMATION

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

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

The functional currency of the Company is New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

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

3. APPLICATION OF NEW AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

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

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

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

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

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

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB

(Continued)

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

(Concluded)

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries and the related equity items, as appropriate, in these parent company only financial statements.

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

Current assets include:

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

Current liabilities include:

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

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

d. Foreign currencies

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

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

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

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

For the purpose of presenting parent company only financial statements, the foreign operation (including subsidiaries and associates in other countries that use currency different from the currency of the Company) are translated into the presentation currency - the New Taiwan dollar as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

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

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

e. Inventories

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

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

Subsidiaries are the entities controlled by the Company.

Under the equity method, the investment in a subsidiary is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiary.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investments in associates

An associate is an entity over which the Company has significant influence and that is not a subsidiary. The Company uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of the equity of associates attributable to the Company.

When the Company subscribes for additional new shares of an associate and joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate and joint venture. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Company's ownership interest is reduced due to its additional subscription of the new shares of the associate and

joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

h. Property, plant, and equipment

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

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

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

i. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

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

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at FVTPL

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 30.

ii. Financial assets at amortized cost

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

- i) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

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

iii. Investments in equity instruments at FVTOCI

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

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

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Fair value is determined in the manner described in Note 30.

b) Impairment of financial assets

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

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

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amount through a loss allowance account, except for investments in debt instruments

that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

1. Provisions

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

Warranties

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

m. Revenue recognition

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

Revenue from the sale of goods

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

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

n. Leasing

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

1) The Company as lessor

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

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

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

2) The Company as lessee

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

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

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

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

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

o. Government grants

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

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

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

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

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

q. Share-based payment arrangements

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are

expected to ultimately vest, with a corresponding increase in non-controlling interests. It is recognized as an expense in full at the grant date if vesting immediately.

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

r. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes

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

s. Treasury Shares

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation Uncertainty

a. Estimated impairment of financial assets

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

b. Write-down of inventories

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

6. CASH AND CASH EQUIVALENTS

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

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

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

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

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

9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Current</u>		
Time deposits with original maturity of more than 3 months (a)	\$ 2,824,364	\$ 4,087,480
Bond investment (b)	<u>-</u>	<u>15,912</u>
	<u>\$ 2,824,364</u>	<u>\$ 4,103,392</u>

- a. The ranges of interest rates for time deposits with original maturities of more than 3 months were 0.19%-1.76% and 0.65%-2.37% per annum as of December 31, 2020 and 2019, respectively.
- b. In October 2016, the Company bought corporate bonds issued by Industrial and Commercial Bank of China Limited, New York Branch at face value of \$500 thousand, which expired on November 13, 2020, with an effective interest rate of 2.24%.

Refer to Note 30 for information relating to their credit risk management and impairment.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

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

a. Notes and trade receivables

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

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

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

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

December 31, 2020

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

December 31, 2019

	Not Past Due	Less than 60 Days	61 to 180 Days	Over 180 Days	Total
Gross carrying amount	\$ 4,063,983	\$ 99,662	\$ -	\$ -	\$ 4,163,645
Loss allowance (Lifetime ECL)	-	(1,525)	-	-	(1,525)
Amortized cost	<u>\$ 4,063,983</u>	<u>\$ 98,137</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,162,120</u>

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

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

b. Other receivables

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

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

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

As of December 31, 2020 and 2019, the amount of allowance losses did not include individual impairment of other receivables that were subject to risk control due to tight cash flow from customers.

11. INVENTORIES

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

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

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

a. Investments in subsidiaries

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

(Continued)

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

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

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

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

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

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

The investments accounted for using the equity method, the Company's share of profit and loss, and other comprehensive income (loss) for the years ended December 31, 2020 and 2019 were calculated based on the associates' financial statements which have been audited.

b. Investments in associates

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

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

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

13. PROPERTY, PLANT AND EQUIPMENT

Assets used by the Company

	Buildings	Machinery and Equipment	Molding Equipment	Testing Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Total
<u>Cost</u>									
Balance at January 1, 2020	\$ 392,006	\$ 645,382	\$ 260,787	\$ 438,308	\$ 36,703	\$ 82,579	\$ 87,074	\$ 64,651	\$ 2,007,490
Additions	25,867	158,333	55,744	53,950	7,450	55,120	153,311	25,878	535,653
Reductions	<u>(9,921)</u>	<u>(7,004)</u>	<u>(8,032)</u>	<u>(16,000)</u>	<u>-</u>	<u>(9,695)</u>	<u>(325)</u>	<u>(1,123)</u>	<u>(52,100)</u>
Balance at December 31, 2020	<u>\$ 407,952</u>	<u>\$ 796,711</u>	<u>\$ 308,499</u>	<u>\$ 476,258</u>	<u>\$ 44,153</u>	<u>\$ 128,004</u>	<u>\$ 240,060</u>	<u>\$ 89,406</u>	<u>\$ 2,491,043</u>
<u>Accumulated depreciation</u>									
Balance at January 1, 2020	\$ 252,845	\$ 202,824	\$ 153,368	\$ 342,039	\$ 28,698	\$ 62,380	\$ 35,789	\$ 35,038	\$ 1,112,981
Additions	22,989	127,991	42,740	34,019	3,520	13,767	34,476	17,002	296,504
Reductions	<u>(9,778)</u>	<u>(6,427)</u>	<u>(8,032)</u>	<u>(16,000)</u>	<u>-</u>	<u>(9,685)</u>	<u>(325)</u>	<u>(1,123)</u>	<u>(51,370)</u>
Balance at December 31, 2020	<u>\$ 266,056</u>	<u>\$ 324,388</u>	<u>\$ 188,076</u>	<u>\$ 360,058</u>	<u>\$ 32,218</u>	<u>\$ 66,462</u>	<u>\$ 69,940</u>	<u>\$ 50,917</u>	<u>\$ 1,358,115</u>
Carrying amounts at December 31, 2020	<u>\$ 141,896</u>	<u>\$ 472,323</u>	<u>\$ 120,423</u>	<u>\$ 116,200</u>	<u>\$ 11,935</u>	<u>\$ 61,542</u>	<u>\$ 170,120</u>	<u>\$ 38,489</u>	<u>\$ 1,132,928</u>
<u>Cost</u>									
Balance at January 1, 2019	\$ 386,092	\$ 237,627	\$ 214,766	\$ 430,812	\$ 36,683	\$ 75,391	\$ 6,915	\$ 48,008	\$ 1,436,294
Additions	6,534	412,146	71,329	34,254	63	16,858	84,024	19,113	644,321
Reductions	<u>(620)</u>	<u>(4,391)</u>	<u>(25,308)</u>	<u>(26,758)</u>	<u>(43)</u>	<u>(9,670)</u>	<u>(3,865)</u>	<u>(2,470)</u>	<u>(73,125)</u>
Balance at December 31, 2019	<u>\$ 392,006</u>	<u>\$ 645,382</u>	<u>\$ 260,787</u>	<u>\$ 438,308</u>	<u>\$ 36,703</u>	<u>\$ 82,579</u>	<u>\$ 87,074</u>	<u>\$ 64,651</u>	<u>\$ 2,007,490</u>
<u>Accumulated depreciation</u>									
Balance at January 1, 2019	\$ 231,594	\$ 137,259	\$ 153,062	\$ 342,406	\$ 25,477	\$ 63,004	\$ 5,582	\$ 29,127	\$ 987,511
Additions	21,871	69,956	25,614	26,391	3,263	8,960	33,936	8,381	198,372
Reductions	<u>(620)</u>	<u>(4,391)</u>	<u>(25,308)</u>	<u>(26,758)</u>	<u>(42)</u>	<u>(9,584)</u>	<u>(3,729)</u>	<u>(2,470)</u>	<u>(72,902)</u>
Balance at December 31, 2019	<u>\$ 252,845</u>	<u>\$ 202,824</u>	<u>\$ 153,368</u>	<u>\$ 342,039</u>	<u>\$ 28,698</u>	<u>\$ 62,380</u>	<u>\$ 35,789</u>	<u>\$ 35,038</u>	<u>\$ 1,112,981</u>
Carrying amounts at December 31, 2019	<u>\$ 139,161</u>	<u>\$ 442,558</u>	<u>\$ 107,419</u>	<u>\$ 96,269</u>	<u>\$ 8,005</u>	<u>\$ 20,199</u>	<u>\$ 51,285</u>	<u>\$ 29,613</u>	<u>\$ 894,509</u>

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

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

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

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

14. LEASE ARRANGEMENTS

a. Right-of-use assets

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

b. Lease liabilities

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

Range of discount rate for lease liabilities was as follows:

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

c. Material lease - in activities and terms

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

d. Other lease information

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

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

15. INTANGIBLE ASSETS

	Technology License Fees	Computer Software	Patent	Other Deferred Charges	Total
<u>Cost</u>					
Balance at January 1, 2020	\$ -	\$ 82,705	\$ 5,038	\$ 1,852	\$ 89,595
Additions	749	56,239	-	-	56,988
Reductions	<u>-</u>	<u>(16,697)</u>	<u>(5,038)</u>	<u>(1,852)</u>	<u>(23,587)</u>
Balance at December 31, 2020	<u>\$ 749</u>	<u>\$ 122,247</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,996</u>
<u>Accumulated amortization</u>					
Balance at January 1, 2020	\$ -	\$ 34,237	\$ 4,671	\$ 1,424	\$ 40,332
Additions	624	33,899	367	428	35,318
Reductions	<u>-</u>	<u>(16,697)</u>	<u>(5,038)</u>	<u>(1,852)</u>	<u>(23,587)</u>
Balance at December 31, 2020	<u>\$ 624</u>	<u>\$ 51,439</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,063</u>
Carrying amounts at December 31, 2020	<u>\$ 125</u>	<u>\$ 70,808</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,933</u>
<u>Cost</u>					
Balance at January 1, 2019	\$ -	\$ 62,435	\$ 5,038	\$ 1,852	\$ 69,325
Additions	-	44,733	-	-	44,733
Reductions	<u>-</u>	<u>(24,463)</u>	<u>-</u>	<u>-</u>	<u>(24,463)</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 82,705</u>	<u>\$ 5,038</u>	<u>\$ 1,852</u>	<u>\$ 89,595</u>
<u>Accumulated amortization</u>					
Balance at January 1, 2019	\$ -	\$ 32,401	\$ 4,041	\$ 498	\$ 36,940
Additions	-	26,299	630	926	27,855
Reductions	<u>-</u>	<u>(24,463)</u>	<u>-</u>	<u>-</u>	<u>(24,463)</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 34,237</u>	<u>\$ 4,671</u>	<u>\$ 1,424</u>	<u>\$ 40,332</u>
Carrying amounts at December 31, 2019	<u>\$ -</u>	<u>\$ 48,468</u>	<u>\$ 367</u>	<u>\$ 428</u>	<u>\$ 49,263</u>

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

Technology license fees	1 years
Computer software	2-7 years
Patents	8 years
Other Deferred Charges	2 years

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

16. PREPAYMENTS AND OTHER ASSETS

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

17. BORROWINGS

Long-term borrowings

The borrowings of the Company are as follows:

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

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

The loan agreement requires the maintenance of a current ratio, debt ratio, and interest coverage ratio based on the Company's annual consolidated financial statements. For the year ended December 31, 2020 and 2019, the Company had met the financial ratio requirements.

18. OTHER LIABILITIES

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

19. PROVISIONS

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

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

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

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

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2019	<u>\$ 279,841</u>	<u>\$ (252,510)</u>	<u>\$ 27,331</u>
Service cost			
Current service cost	1,038	-	1,038
Net interest expense (income)	<u>3,638</u>	<u>(3,294)</u>	<u>344</u>
Recognized in profit or loss	<u>4,676</u>	<u>(3,294)</u>	<u>1,382</u>
			(Continued)

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

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

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

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

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

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

	<u>December 31</u>	
	2020	2019
Discount rates	0.80%	1.10%
Expected rates of salary increase	3.50%	3.50%

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

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

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

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

21. EQUITY

a. Ordinary shares

	<u>December 31</u>	
	2020	2019
Number of shares authorized (in thousands)	<u>880,000</u>	<u>880,000</u>
Shares authorized	<u>\$ 8,800,000</u>	<u>\$ 8,800,000</u>
Number of shares issued and fully paid (in thousands)	<u>559,456</u>	<u>558,051</u>
Shares issued	<u>\$ 5,594,564</u>	<u>\$ 5,580,514</u>

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

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

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

b. Capital surplus

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

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital and once a year).
- 2) Such capital surplus arises from the effects of changes in ownership interest in a subsidiary resulted from equity transactions other than actual disposal or acquisition, or from changes in capital surplus of subsidiaries accounted for by using equity method.

A reconciliation of the carrying amount at the beginning and at the end of December 31, 2020 and 2019, for each class of capital surplus was as follows:

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

(Continued)

	Premium on Issue of Shares	Treasury Share	Employee Share Options - May be used to Offset a Deficit Only	Change in Percentage of Ownership Interest in Subsidiaries	Employee Share Options - May not be used for any Purpose
Balance at January 1, 2020	\$ 531,890	\$ 40,100	\$ 208,509	\$ 5,509	\$ 19,707
Employee share options exercised	3,485	-	6,389	-	(6,389)
Employee share option not exercised	-	-	2,237	-	(2,237)
Cash dividends received by subsidiaries from parent company	-	15,683	-	-	-
Balance at December 31, 2020	<u>\$ 535,375</u>	<u>\$ 55,783</u>	<u>\$ 217,135</u>	<u>\$ 5,509</u>	<u>\$ 11,081</u> (Concluded)

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 23-7.

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

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

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

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

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

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

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

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

d. Special reserves

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

e. Others equity items

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

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

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

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

f. Treasury shares

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

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

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

22. REVENUE

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

a. Contract information

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

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

b. Contract balances

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

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

c. Disaggregation of revenue

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

23. NET PROFIT

a. Net profit

1) Interest income

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

2) Other income

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

3) Other gains and losses

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

4) Finance costs

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

5) Depreciation and amortization

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

6) Employee benefits expense

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

7) Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at rates of no less than 1%-11.25% and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2020 and 2019, which have been approved by the Company's board of directors on March 18, 2021 and March 19, 2020, respectively, were as follows:

Accrual rate

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

Amount

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

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2019 and 2018.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

24. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of tax expense recognized in profit or loss:

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

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

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

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. The Company deducted the amount of capital expenditure from the unappropriated earnings that was reinvested when calculating the tax on unappropriated earnings.

b. Current tax liabilities

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

c. Deferred tax assets

The movements of deferred tax assets were as follows:

For the year ended December 31, 2020

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

For the year ended December 31, 2019

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

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

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

- e. Unrecognized deferred tax liabilities associated with investments

As of December 31, 2020 and 2019, the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized.

- f. Income tax assessments

The tax authorities have examined income tax returns of the Company through 2018.

25. EARNINGS PER SHARE

Unit: NT\$ Per Share

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

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

Net Profit for the Year

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

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

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

If the Company offered to settle compensation or bonuses paid to employees in cash or shares, the Company assumed the entire amount of the compensation or bonuses will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the

computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

26. SHARE-BASED PAYMENT ARRANGEMENTS

Employee share option plan of the Company

Qualified employees of the Company and its subsidiaries were granted 20,000 thousand option on September 4, 2014 and 20,000 thousand options on July 20, 2010. Each option entitles the holder to subscribe for one ordinary shares of the Company. The options granted are valid for 10 years and exercisable at certain percentages after the second anniversary from the grant date.

Information on employee share options was as follows:

	For the Year Ended December 31			
	2014		2010	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
<u>2019</u>				
Balance at January 1	3,788	\$ 14.70	990	\$ 8.90
Options exercised	(397)	14.20-14.70	(64)	8.60-8.90
Options canceled	(410)	14.20-14.70	-	-
Balance at December 31	<u>2,981</u>	14.20	<u>926</u>	8.60
<u>2020</u>				
Balance at January 1	2,981	\$ 14.20	926	\$ 8.60
Options exercised	(979)	13.80-14.20	(426)	8.60
Options canceled	-	-	(500)	8.60
Balance at December 31	<u>2,002</u>	13.80	<u>-</u>	-

The number of outstanding share options and the exercise prices had been adjusted to reflect the share dividend and the cancellation of ordinary shares in accordance with the plans.

Information about outstanding options as of December 31, 2020 was as follows:

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

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

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

The grant-date share fair price was measured by market-based method.

Expected volatility was based on the same industry company historical share price volatility over the past 1 year.

Compensation cost recognized was none for year ended December 31, 2020 and 2019.

27. GOVERNMENT GRANTS

As of December 31, 2020, the Company obtained a government preferential interest rate loan of \$1,218,000 thousand from the “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan” for capital expenditure and operating turnover. The loan will be settled in three to seven years through installments. At the time of borrowing, the market interest rate was 1.10%-1.29%. Based on this, the fair value of the loan is estimated to be \$1,145,494 thousand. The difference between the amount obtained and the fair value of the loan is \$72,506 thousand, which is regarded as a government low interest loan and recognized as deferred income. In 2020 and 2019, the Company recognized other income of \$10,761 thousand and \$2,576 thousand and the interest expense of the loan of \$15,988 thousand and \$2,989 thousand, respectively.

If the Company fails to meet the key points of the above project during the loan period, and the National Development Fund terminates the government grant, then the Company will pay the original interest rate plus the annual interest rate.

28. DISPOSAL OF SUBSIDIARY

a. On April 28, 2019, the Company completed the liquidation of its subsidiary, WayStorm Co. Ltd.

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

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

2) Loss on liquidation of subsidiary

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

29. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities have necessary financial resources and operational plan to cover all required funds for the next 12 months, including capital expenditures, research and development plan, debt repayment and dividends, etc.

Based on the Company's business model and working capital sources, the Company has no significant changes except for shareholders' share dividends and exercise of employee share options.

30. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

December 31, 2019

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost					
Bond investment	\$ 15,912	\$ -	\$ 15,049	\$ -	\$ 15,049

The Level 2 of fair values measurement is based on the reference price of the issuing bank.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2020

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

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 315,232	\$ -	\$ -	\$ 315,232
Unlisted shares	<u>-</u>	<u>-</u>	<u>89,731</u>	<u>89,731</u>
Total	<u>\$ 315,232</u>	<u>\$ -</u>	<u>\$ 89,731</u>	<u>\$ 404,963</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares	<u>\$ 123,235</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,235</u>

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

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

For the year ended December 31, 2020

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

For the year ended December 31, 2019

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

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

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

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

c. Categories of financial instruments

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

Financial liabilities

Amortized cost (Note 2)	14,282,012	14,695,721
-------------------------	------------	------------

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

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

d. Financial risk management objectives and policies

The Company's financial risk management objective is to manage all risks that are relevant to operating activities, like foreign currency risk, interest rate risk, credit risk and liquidity risk. The Company strives to identify, assess and avoid the uncertainty in market to minimize the potential adverse impact of market. Important financial activities of the Company are approved by the board of directors and reviewed for compliance with internal controls and relevant regulations and management practices. The Company abides by the relevant financial procedures on overall financial risk management and division of responsibilities when implementing financial plans.

The Company's policies on market risk (including currency risk, interest rate risk, and other price risk), credit risk and liquidity risk are as follows:

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Company entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

There had been no change in the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Company and several subsidiaries' operating activities are partially denominated in foreign currencies and apply natural hedge. The purpose of the Company's management of the foreign currency risk is to hedge the risk instead of making a profit.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposing to foreign currency risk at the end of the reporting period are set out Note 34.

Sensitivity analysis

The Company was mainly exposed to the USD.

The following table details the Company's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and forward contracts, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with New Taiwan dollars strengthen 1% against the relevant currency. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

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

b) Interest rate risk

Interest rates of the Company's long-term bank loans are fixed and floating, and changes in interest rates would affect the future cash flows but not the fair value.

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

	December 31	
	2020	2019
Fair value interest rate risk		
Financial assets	\$ 3,825,349	\$ 5,481,820
Financial liabilities	469,987	509,712
Cash flow interest rate risk		
Financial assets	1,328,772	2,005,388
Financial liabilities	1,163,470	920,639

Sensitivity analysis

The sensitivity analysis below was based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period.

If interest rates had been 0.1% basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2020 and 2019 would decrease/increase by \$165 thousand and \$1,085 thousand, respectively, which was mainly attributable to the Company's exposure to interest rates.

c) Other price risk

The Company was exposed to equity price risk through its investments in listed equity securities. Equity investments are held for strategic rather than trading purposes. The Company does not actively trade these investments. The Company's equity price risk was mainly concentrated on equity instruments operating in electronic industry quoted in the Taiwan Stock Exchange and Greta Securities Market.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 0.1% higher/lower, pre-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$20,110 thousand and \$4,050 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the post-tax other comprehensive income for the year ended December 31, 2020 and 2019 would have increased/decreased by \$1,369 thousand and \$1,232 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that a counterpart will default on its contractual obligations and result in financial loss to the Company. At the end of the reporting period, the Company may have a financial loss due to the default on obligation from counterparts, and the maximum exposure to credit risk is the trade receivables from counterparts.

In order to mitigate credit risk, the Company has made the management of credit policy to ensure that appropriate action is taken to recover overdue receivables. In addition, the Company reviews the recoverable amount of each trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Company considers the credit risk is significantly reduced.

The Company's accounts receivable outstanding arose from trading with its customers spreading across diverse industries and geographical areas. The balances are monitored on an ongoing basis by evaluating the customers' financial conditions.

Under its credit policy, the Company evaluates the credit grade of new customers individually before determining payment and other transaction terms. For this evaluation, the Company acquires external information from credit rating agencies and banks. If this information is not available, the Company uses other publicly available financial information and its own trading records to rate its customers. The Company reviews credits and trades of each customer regularly and does not trade with the customers that do not meet the credit grade in advance.

The Company estimated the allowance for impairment loss recognized on trade receivables, other receivables and investments.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2020 and 2019, the Company had available unutilized short-term bank loan facilities set out in (b) below.

a) Liquidity and interest risk rate tables for non-derivative financial liabilities

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Total
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 8,740,377	\$ 3,922,271	\$ 455,078	\$ 816	\$ 13,118,542
Lease liabilities	3,440	9,707	87,604	443,193	543,944
Variable interest rate liabilities	<u>18</u>	<u>36</u>	<u>164</u>	<u>1,218,513</u>	<u>1,218,731</u>
Noninterest bearing	<u>\$ 8,743,835</u>	<u>\$ 3,932,014</u>	<u>\$ 542,846</u>	<u>\$ 1,662,522</u>	<u>\$ 14,881,217</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 100,751</u>	<u>\$ 262,844</u>	<u>\$ 46,119</u>	<u>\$ 41,101</u>	<u>\$ 40,039</u>	<u>\$ 53,090</u>

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Total
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 9,606,244	\$ 2,835,683	\$ 1,332,339	\$ 816	\$ 13,775,082
Lease liabilities	3,120	7,682	79,575	498,823	589,200
Variable interest rate liabilities	<u>117</u>	<u>230</u>	<u>1,037</u>	<u>977,717</u>	<u>979,101</u>
Noninterest bearing	<u>\$ 9,609,481</u>	<u>\$ 2,843,595</u>	<u>\$ 1,412,951</u>	<u>\$ 1,477,356</u>	<u>\$ 15,343,383</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 90,377</u>	<u>\$ 322,838</u>	<u>\$ 44,155</u>	<u>\$ 35,791</u>	<u>\$ 35,791</u>	<u>\$ 60,248</u>

b) Financing facilities

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

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

31. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below.

a. Related party name and relationship

<u>Related Party Name</u>	<u>Relationship with the Company</u>
Accton Logistics Corporation	Subsidiary
SMC Network, Inc.	Subsidiary
Accton Technology Corporation (USA)	Subsidiary
Accton Century Holding (BVI) Co., Ltd.	Subsidiary
Metalligence Technology Corp.	Subsidiary
Edgecore Networks Corp.	Subsidiary
E-Direct Corp.	Subsidiary
4ipnet, Inc.	Subsidiary
Accton Global Inc.	Subsidiary
Edgecore Americas Networking	Investment accounted for using the equity method indirect subsidiary
Joy Technology (Shenzhen) Co., Ltd.	Investment accounted for using the equity method indirect subsidiary
Accton Technology Co., Ltd.	Investment accounted for using the equity method indirect subsidiary
Edgecore Cayman Corp.	Investment accounted for using the equity method indirect subsidiary
Oenix Biomed Co., Ltd.	Associate

b. Sales

<u>Line Item</u>	<u>Related Party Name</u>	<u>December 31</u>	
		<u>2020</u>	<u>2019</u>
Sales	Accton Global Inc.	\$ 15,324,521	\$ 13,734,453
	Accton Logistics Corporation	4,247,825	3,955,240
	Edgecore Networks Corp.	2,334,964	4,995,788
	Other Subsidiaries	<u>137,548</u>	<u>156,145</u>
		<u>\$ 22,044,858</u>	<u>\$ 22,841,626</u>

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

c. Purchase

Line Item	Related Party Name	December 31	
		2020	2019
Purchase	Joy Technology (Shenzhen) Co., Ltd.	\$ 22,447,913	\$ 29,089,029
	Other Subsidiaries	<u>139,290</u>	<u>1,018,507</u>
		<u>\$ 22,587,203</u>	<u>\$ 30,107,536</u>

The price of the Company's sales to related parties is based on the agreed terms, therefore there is no appropriate transaction object to compare. The general payment terms are 45 to 90 days. The processing transaction between the Company and related parties is based on the agreed terms, therefore there is no appropriate transaction object to compare.

d. Operating expense

Line Item	Related Party Name	December 31	
		2020	2019
Operating expense	Accton Technology Corporation (USA)	\$ 130,675	\$ 86,579
	Edgecore Networks Corp.	186	394,276
	Other Subsidiaries	<u>10,042</u>	<u>25,746</u>
		<u>\$ 140,903</u>	<u>\$ 506,601</u>

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

The supporting fees of overseas between the Company and related parties is based on the agreed terms, therefore there is no appropriate transaction object to compare.

e. Non-operating income and expenses

Line Item	Related Party Name	December 31	
		2020	2019
Other revenue	Edgecore Networks Corp.	\$ 17,374	\$ 5,286
	Subsidiary	<u>2,830</u>	<u>5,171</u>
		<u>\$ 20,204</u>	<u>\$ 10,457</u>

The non-operating transactions between the Company and related parties are based on the conditions agreed by both parties; therefore, there is no other appropriate transaction to compare.

f. Receivables from related parties

Line Item	Related Party Name	December 31	
		2020	2019
Trade receivables from related parties	Accton Global Inc.	\$ 4,362,818	\$ 2,865,142
	Accton Logistics Corporation	226,961	645,248
	Edgecore Networks Corp.	144,378	385,927
	Other Subsidiaries	14,827	42,717
	Transfer of investment loans using the equity method	(363,381)	(141,886)
	Transfer to other receivables from related parties	-	(14,769)
		<u>\$ 4,385,603</u>	<u>\$ 3,782,379</u>
Other receivables from related parties	Joy Technology (Shenzhen) Co., Ltd.	\$ 432,883	\$ 515,140
	Other Subsidiaries	22,898	512,794
	Transfer of investment loans using the equity method	-	(14,009)
		<u>\$ 455,781</u>	<u>\$ 1,013,925</u>

The Company's partial collection conditions for foreign related parties are 60 days to 90 days from the shipping point. It is 60 days to 75 days for domestic related parties.

g. Payables to related parties

Line Item	Related Party Name	December 31	
		2020	2019
Trade payables to related parties	Joy Technology (Shenzhen) Co., Ltd.	\$ 5,204,304	\$ 6,714,543
	Edgecore Networks Corp.	-	223,294
		<u>\$ 5,204,304</u>	<u>\$ 6,937,837</u>
Other payables to related Parties	Accton Technology Corporation (USA)	\$ 116,644	\$ 124,783
	Joy Technology (Shenzhen) Co., Ltd.	25,246	2,772
	Accton Technology Co., Ltd.	6,872	27,250
	Other Subsidiaries	1,917	10,672
		<u>\$ 150,679</u>	<u>\$ 165,477</u>

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

h. Acquisitions of property, plant and equipment

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

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

i. Disposals of property, plant and equipment

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

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

j. Acquisition of intangible assets

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

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

k. Purchase of long-term investment on stocks

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

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

l. Compensation of key management personnel

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

The compensation of directors and other key management personnel was determined by the Compensation Committee on the basis of individual performance and market trends.

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral of tariff:

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

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2020

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

December 31, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items USD	\$ 535,278	29.98 (USD:NTD)	\$ 16,047,633
<u>Financial liabilities</u>			
Monetary items USD	394,830	29.98 (USD:NTD)	11,837,011

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

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

35. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions and investees:
 - 1) Financing provided to others (None)
 - 2) Endorsements/guarantees provided (Table 1)
 - 3) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities) (Table 2)
 - 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital (Table 3)
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
 - 9) Trading in derivative instruments. (None)
 - 10) Information on investees (excluding any investee company in mainland China) (Table 6)
- b. Information on investments in mainland China
 - 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 7)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses. Refer to Note 4 and the Company's consolidated Financial Statement for 2020's Note 6.
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 8)

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020

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

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 2)										
0	Accton Technology Corporation	Accton Technology Corporation	1	\$ 1,448,034	\$ 23,000	\$ 23,000	\$ 23,000	\$ -	0.16	\$ 4,344,102	No	No	No
0	Accton Technology Corporation	Accton Global, Inc.	2	1,448,034	284,800 (USD 10,000)	284,800 (USD 10,000)	200,784 (USD 7,050)	-	1.97	4,344,102	Yes	No	No
0	Accton Technology Corporation	Accton Technology Co., Ltd.	2	1,448,034	142,400 (USD 5,000)	142,400 (USD 5,000)	-	-	0.98	4,344,102	Yes	No	Yes
1	Edgecore Network Corporation	Edgecore Network Corporation	1	1,137,018	11,000	11,000	11,000	-	0.97	1,137,018	No	No	No
1	Edgecore Network Corporation	Accton Global, Inc.	4	1,137,018	300,200	-	-	-	-	1,137,018	No	No	No
2	Accton Global, Inc.	Accton Logistics Corporation	4	56,424	42,720 (USD 1,500)	42,720 (USD 1,500)	42,720 (USD 1,500)	-	75.71	56,424	No	No	No

Note 1: The description of the number column is as follows:

- 1) Lender is numbered as 0.
- 2) Investee is numbered sequentially from 1.

Note 2: The following seven items are relationship of endorsement guarantors and endorsed objects:

- 1) The company with business contact.
- 2) The company directly and indirectly holds more than 50% of the shares of the voting rights.
- 3) Directly and indirectly holds more than 50% of the shares of the voting rights to the company.
- 4) The company directly and indirectly holds more than 90% of the shares of the voting rights.
- 5) The company that is mutually protected under contractual requirements based on the needs of the contractor.
- 6) The company that is endorsed by its all-funded shareholders in accordance with its shareholding ratio because of the joint investment relationship.
- 7) Performance guarantees for the sale of presale contracts under the Consumer Protection Act.

(Continued)

Note 3: The limit on amount of endorsement and guarantee is explained below:

- 1) In accordance with the company's procedure for endorsement and guarantee, the ceiling on total endorsement and guarantee to all parties is 30% of its net sales value; the ceiling on single guarantee object to all parties is 10% of its net assets value.
- 2) The policy for endorsement and guarantee granted by subsidiaries to the company whose voting shares are directly or indirectly wholly-owned is not limited by the above description.

(Concluded)

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars and Foreign Currency)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
Accton Technology Corporation	<u>Fund</u>							
	Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss - current	18,740	\$ 280,157	-	\$ 280,157	-
	Allianz Global Investors Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	19,792	250,025	-	250,025	-
	Fuh Hwa Money Market Fund	-	Financial assets at fair value through profit or loss - current	16,503	240,019	-	240,019	-
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss - current	15,078	230,017	-	230,017	-
	FSITC Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,113	200,225	-	200,225	-
	Taishin Ta-Chong Money Market Fund	-	Financial assets at fair value through profit or loss - current	13,976	200,135	-	200,135	-
	UPAMC James Bond Money Market Fund	-	Financial assets at fair value through profit or loss - current	11,879	200,056	-	200,056	-
	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,083	100,001	-	100,001	-
	Fuh Hwa You Li Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,261	85,004	-	85,004	-
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,325	80,015	-	80,015	-
	Yuanta De- Bao Money Market Fund	-	Financial assets at fair value through profit or loss - current	4,129	50,003	-	50,003	-
	<u>Shares</u>							
	First Hi-Tec Enterprise Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	1,496	78,516	2%	78,516	-
	Cathay financial holding Co., Ltd. - preference shares	-	Financial assets at fair value through other comprehensive income - current	830	51,294	-	51,294	-
	Cathay financial holding Co., Ltd. - preference share B	-	Financial assets at fair value through other comprehensive income - current	35	2,183	-	2,183	-
	Clientron Corp.	-	Financial assets at fair value through other comprehensive income - current	289	4,954	-	4,954	-
	TechnoConcepts Inc.	-	Financial assets at fair value through other comprehensive income - current	597	-	-	-	-
	Worldgate Communication, Inc.	-	Financial assets at fair value through other comprehensive income - non-current	3,200	-	-	-	-
	Pershing Systems Corp.	-	Financial assets at fair value through profit or loss - non-current	2,459	58,954	9%	58,954	-

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
Accton Technology Corporation	i Pass Corporation	-	Financial assets at fair value through profit or loss - non-current	1,599	\$ 27,205	2%	\$ 27,205	-
	Linker Corporation	-	Financial assets at fair value through profit or loss - non-current	469	-	2%	-	-
	Global Channel Resource Pte. Ltd.	-	Financial assets at fair value through profit or loss - non-current	500	-	7%	-	-
	Wave-In Communication Inc.	-	Financial assets at fair value through profit or loss - non-current	1,138	9,142	15%	9,142	-
	Stratus Medicine Inc.	-	Financial assets at fair value through profit or loss - non-current	833	-	4%	-	-
	Zentera Systems, Inc.	-	Financial assets at fair value through profit or loss - non-current	400	-	3%	-	-
	Innovium, Inc.	-	Financial assets at fair value through profit or loss - non-current	152	-	-	-	-
	Xingtera technology optimizes	-	Financial assets at fair value through profit or loss - non-current	478	-	1%	-	-
	Midfin Systems Inc.	-	Financial assets at fair value through profit or loss - non-current	1,084	-	4%	-	-
	MiTAC Information Technology Corp.	-	Financial assets at fair value through profit or loss - non-current	300	-	-	-	-
	Clop Technologies Pte. Ltd.	-	Financial assets at fair value through profit or loss - non-current	2,000	-	9%	-	-
	Acute Technology Corp.	-	Financial assets at fair value through profit or loss - non-current	2,650	-	15%	-	-
	Microlinks Technology Corp.	-	Financial assets at fair value through profit or loss - non-current	138	-	2%	-	-
	Peracom Networks, Inc.	-	Financial assets at fair value through profit or loss - non-current	2,931	-	-	-	-
	MoBitS Electronics, Inc.	-	Financial assets at fair value through profit or loss - non-current	387	-	5%	-	-
VODTEL Communication Inc.	-	Financial assets at fair value through profit or loss - non-current	122	-	3%	-	-	
Accton Investment Corp. (BVI)	<u>Shares</u>							
	Accton Technology Corporation	Parent company	Financial assets at fair value through other comprehensive income - current	2,210	50,999	-	693,318	-
	Volterra, Inc. -preference share A	-	Financial assets at fair value through profit or loss - non-current	319	-	1%	-	-
	Volterra, Inc. -preference share B	-	Financial assets at fair value through profit or loss - non-current	34	-	-	-	-
	Astera Labs, Inc. -preference share A-1	-	Financial assets at fair value through profit or loss - non-current	490	-	-	-	-
	Astera Labs, Inc. -preference share B	-	Financial assets at fair value through profit or loss - non-current	64	-	-	-	-
	Dustphotonics, Inc. -preference share A	-	Financial assets at fair value through profit or loss - non-current	38	-	-	-	-
	Dustphotonics, Inc. -preference share B	-	Financial assets at fair value through profit or loss - non-current	5	-	-	-	-
Tallac Networks, Inc.	-	Financial assets at fair value through profit or loss - non-current	254	-	-	-	-	

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
Accton Investment Corp. (BVI)	Aspac Communications, Inc.	-	Financial assets at fair value through profit or loss - non-current	120	\$ -	-	\$ -	-
	Kai Chieh International Investment Ltd.	-	Financial assets at fair value through profit or loss - non-current	461	-	-	-	-
	MoBitS Electronics, Inc.	-	Financial assets at fair value through profit or loss - non-current	232	-	3%	-	-
	Fulfillment Plus Inc.	-	Financial assets at fair value through profit or loss - non-current	500	-	2%	-	-
	@Network, Inc.	-	Financial assets at fair value through profit or loss - non-current	100	-	-	-	-
	Telectronics International, Inc.	-	Financial assets at fair value through profit or loss - non-current	286	-	2%	-	-
	Itelco Communication, Inc. - preference shares	-	Financial assets at fair value through profit or loss - non-current	202	-	-	-	-
	Network Excellence For Enterprises Corp. - preference shares	-	Financial assets at fair value through profit or loss - non-current	600	-	-	-	-
	Caspain Networks, Inc.	-	Financial assets at fair value through profit or loss - non-current	2	-	-	-	-
	Truetel Communications Inc.	-	Financial assets at fair value through profit or loss - non-current	600	-	3%	-	-
	Voipack Corporation - preference shares	-	Financial assets at fair value through profit or loss - non-current	1,075	-	-	-	-
	Ip Unity - preference shares	-	Financial assets at fair value through profit or loss - non-current	68	-	-	-	-
	Peracom Networks, Inc.	-	Financial assets at fair value through profit or loss - non-current	2,629	-	-	-	-
	Discovery Times Ltd.	-	Financial assets at fair value through profit or loss - non-current	-	-	-	-	-
	Engim, Inc. - preference shares A	-	Financial assets at fair value through profit or loss - non-current	455	-	-	-	-
	Engim, Inc. - preference shares A-1	-	Financial assets at fair value through profit or loss - non-current	2,308	-	-	-	-
	Softfoundry International Pte. Ltd.	-	Financial assets at fair value through profit or loss - non-current	833	-	-	-	-
	MiTAC Information Technology Corp.	-	Financial assets at fair value through profit or loss - non-current	15	-	-	-	-
	E2O Communications Inc.	-	Financial assets at fair value through profit or loss - non-current	30	-	-	-	-
Accton Century holding (BVI) Co., Ltd.	<u>Shares</u> @ Network, Inc.	-	Financial assets at fair value through profit or loss - non-current	167	-	-	-	-
	3CX Inc.	-	Financial assets at fair value through profit or loss - non-current	375	-	-	-	-
	Discovery Times Alpha Ltd.	-	Financial assets at fair value through profit or loss - non-current	-	-	-	-	-
	Telmax Communications Corp.	-	Financial assets at fair value through profit or loss - non-current	613	-	-	-	-
	Programmable Silicon Solutions	-	Financial assets at fair value through profit or loss - non-current	143	-	-	-	-
	Aviva Communications INC. - preference shares	-	Financial assets at fair value through profit or loss - non-current	30	-	-	-	-
	Conveigh Inc.	-	Financial assets at fair value through profit or loss - non-current	765	-	-	-	-

(Continued)

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

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

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

(Concluded)

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount (Note)	Gain (Loss) on Disposal	Shares	Amount
Accton Technology Corporation	FSITC Money Market	Financial assets at fair value through profit or loss - current	-	-	1,139	\$ 204,080	2,283	\$ 410,000	2,309	\$ 414,466	\$ 414,015	\$ 451	1,113	\$ 200,225
	Taishin Ta-Chong Money Market	Financial assets at fair value through profit or loss - current	-	-	-	-	88,113	1,260,000	74,137	1,060,207	1,060,000	207	13,976	200,135
	UPAMC James Bond Money Market	Financial assets at fair value through profit or loss - current	-	-	6,625	111,152	53,801	905,000	48,547	816,539	816,000	539	11,879	200,056

Note: Disposed carrying amount is the acquisition cost.

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

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

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance (Note 3)	Turnover Rate (Note 1)	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Accton Technology Corporation	Accton Global, Inc.	Subsidiary	\$ 4,368,032	4.24	\$ 1,414,674	-	\$ 1,414,674	\$ -
	Joy Technology (Shenzhen) Co., Ltd.	Investment accounted for using the equity method indirect subsidiary	432,883	Note 2	-	-	-	-
	Accton Logistics Corp. (USA)	Subsidiary	227,599	9.75	-	-	-	-
Joy Technology (Shenzhen) Co., Ltd.	Edgecore Networks Corp.	Subsidiary	159,753	8.81	-	-	-	-
	Accton Technology Corporation	Ultimate parent company	5,229,550	3.77	100,745	Strengthen collection	54,453	-
	Accton Technology Co., Ltd.	Held by the same ultimate holding company	443,856	2.15	1,990	Strengthen collection	1,606	-
Edgecore Networks Corporation	Edgecore Americas	Subsidiary	502,212	3.14	314,713	Strengthen collection	85,524	-

Note 1: Other receivables are not included in the calculation of turnover rate.

Note 2: The account is not subject to the calculation of turnover rate since its main composition is other receivables.

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

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES IN MAINLAND CHINA (EXCLUDING ANY INVESTEEES COMPANY IN MAINLAND CHINA)

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Investor Company	Equity-method Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2020			Net Income of the Equity-method Investee	Investment Income	Note
				December 31, 2020	December 31, 2019	Shares (Thousands)	% of Ownership	Carrying Value			
Accton Technology Corporation	Accton Century Holding (BVI) Co., Ltd.	British Virgin Islands	Investment holding company	\$ 1,664,416	\$ 1,664,416	51,973	100	\$ 4,390,922	\$ 204,880	\$ 187,396	Notes 1 and 2
	Edgecore Networks Corp.	Hsinchu	Research, development, design and manufacture of switching hubs	650,000	650,000	50,000	100	1,117,402	160,695	160,695	Note 1
	SMC Networks Inc.	USA	Sale of network products	769,644	769,644	24,149	100	147,303	(1,391)	(1,391)	Note 1
	Accton Technology (China) Co., Ltd.	Cayman Islands	Investment holding company	279,635	279,635	6,600	100	93,236	(8,062)	(8,062)	Note 1
	Accton Technology Corp. (USA)	USA	Service of technique of high-quality LAN hardware and software products	342,132	342,132	2,199	100	169,173	1,818	1,818	Note 1
	Accton Investment Corp. (BVI)	British Virgin Islands	Investment holding company	79,676	79,676	1,004	100	127,483	(37,272)	(50,952)	Note 1
	Accton Logistics Corp. (USA)	USA	Selling and marketing of high-quality LAN hardware and software products	89,267	89,267	1	100	82,701	2,405	2,405	Note 1
	Accton Global, Inc.	USA	Selling and marketing of high-quality LAN hardware and software products	35,316	35,316	10	100	(363,381)	18,930	18,930	Note 1
	Nocsys Inc.	Cayman Islands	Investment holding company	199,434	199,434	50,000	100	2,720	(141)	(141)	Note 1
	E-Direct Corp.	Taipei	Provides services in information software and information technology	43,075	43,075	3,852	100	79,926	20,460	20,460	Note 1
	Metalligence Technology Corp.	Taipei	Provides e-commerce apps, information software and advertising services	46,407	46,407	4,641	100	3,521	(8,803)	(8,803)	Note 1
	Oenix Biomed Co., Ltd.	Taipei	Research and development of health care services and equipment	20,000	20,000	2,000	40	12,929	(3,599)	(1,440)	Note 1
4ipnet, Inc.	Taipei	Research, development, manufacture and selling of wireless products and solutions for enterprises	50,000	50,000	7,840	98	3	14,335	19,282	Notes 1 and 2	
Accton Century Holding (BVI) Co., Ltd.	Accton Asia Investments Corp. (BVI)	British Virgin Islands	Investment holding company	1,199,179 (USD 42,106)	1,199,179 (USD 42,106)	42,106	100	4,333,773	229,073	229,073	Note 1
Accton Investment Corp. (BVI)	Alpha Telecom, Inc.	USA	Sale and manufacture of Communication transmission, VoIP and IDSN equipment	7,120 (USD 250)	7,120 (USD 250)	2,647	30	-	-	-	Note 3

(Continued)

Investor Company	Equity-method Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2020			Net Income of the Equity-method Investee	Investment Income	Note
				December 31, 2020	December 31, 2019	Shares (Thousands)	% of Ownership	Carrying Value			
Edgecore Networks Corp.	Edgecore Networks Singapore Pte. Ltd.	Singapore	Sell high-quality LAN hardware and software products	\$ 22,466	\$ 22,466	3,557	100	\$ 24,239	\$ 2,244	\$ 2,244	Note 1
	Edgecore Cayman, Corp.	Cayman Islands	Investment holding company	30,285	30,285	1,000	100	475	46,816	46,816	Note 1
	Horwood Limited	Cayman Islands	Investment holding company	6,868	6,868	2,000	100	7,991	(546)	(546)	Note 1
Edgecore Cayman Corp.	Edgecore Americas Networking Corp.	USA	Sell high-quality LAN hardware and software products	285	285	10	100	(33,044)	49,044	49,044	Note 1
Edgecore Networks Singapore Pte. Ltd.	Accton Technology Vietnam Company Limited	Vietnam	Sale of network products	(USD 10)	(USD 10)	-	-	-	-	-	Notes 1 and 4

Note 1: Based on audited financial statements.

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

Note 3: Recognized an impairment loss.

Note 4: Accton Technology Vietnam Company Limited completed its liquidation in August 2020.

(Concluded)

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 2)	Method of Investment	Accumulated Outflow Remittance for Investment from Taiwan as of January 1, 2020 (Note 2)	Investment Flows		Accumulated Outflow Remittance for Investment from Taiwan as of December 31, 2020 (Note 2)	Net Income (Loss) of the Investee	Percentage of Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outflow	Inflow							
Joy Technology (Shenzhen) Co., Ltd.	Selling and producing of high-end networks switches	\$ 1,267,360 (USD 44,500)	Note 1	\$ 1,053,760 (USD 37,000)	\$ -	\$ 469,920 (USD 16,500)	\$ 583,840 (USD 20,500)	\$ 228,339	100%	\$ 228,339	\$ 4,299,747	\$ 469,920 (USD 16,500)	Note 3
Accton Technology Co., Ltd.	Selling and marketing of network products	170,880 (USD 6,000)	Note 1	170,880 (USD 6,000)	-	-	170,880 (USD 6,000)	(7,717)	100%	(7,717)	86,694	-	Note 3
Noctilucent Systems (Shanghai) Limited	Development, design and manufacture of software, selling product and consultation and service of technique	142,400 (USD 5,000)	Note 1	187,028 (USD 6,567)	-	-	187,028 (USD 6,567)	-	-	-	-	-	Notes 5 and 8
ATAN Networks Co., Ltd.	Selling and marketing of network products	56,960 (USD 2,000)	Note 10	56,960 (USD 2,000)	-	-	56,960 (USD 2,000)	(17,948)	100%	(17,948)	(14,544)	-	Note 3
MuXi Technology Co., Ltd.	Selling and marketing of network products	4,365 (RMB 1,000)	Note 11	-	-	-	-	894	100%	894	5,261	-	Notes 3 and 11

Equity-method Investee Company	Accumulated Investment in Mainland China as of December 31, 2020 (USD in Thousands)	Investment Amounts Authorized by the Investment Commission MOEA (USD in Thousands)	Ceiling Amount on of the Corporation's Investment in Mainland China
Joy Technology (Shenzhen) Co., Ltd.	USD 20,500	USD 44,500 (Note 4)	\$ 8,688,204
Accton Technology Co., Ltd.	USD 6,000	USD 6,000	
Noctilucent Systems (Shanghai) Limited	USD 6,567 (Notes 5 and 8)	USD 5,000	
ATAN Networks Co., Ltd.	USD 2,000	USD 2,000	
Arcadyan Technology (Shanghai) Corp. (Note 6)	USD 684	USD 5,586	
Tomato Technology (Shanghai) Corp. (Note 7)	USD 380	USD 380	
Zhuhai Jinfangda Technology Co., Ltd. (Note 9)	USD 937	USD 937	

Note 1: Investment made in mainland China was through the Company's subsidiaries that are located in the third region.

Note 2: Based on the exchange rate as of December 31, 2020.

Note 3: The amount was recognized based on the audited financial statements.

Note 4: Issuance of ordinary shares out of retained earnings amounted to USD7,500 thousand.

Note 5: Repayment of debt amounted to USD1,567 thousand.

Note 6: In December 2009, the Company sold 17% shares of Arcadyan Technology (Shanghai) Co., Ltd. to Arcadyan Technology Company and its affiliates.

(Continued)

Note 7: Tomato Technology (Shanghai) Corp. was sold in July 2009. The Investment Commission of the Ministry of Economic Affairs approved the sale of the investment.

Note 8: In September 2017, the Company sold Noctilucent (HK)'s 81% shares and jointly disposed of Noctilucent Systems (Shanghai) Limited. The resale case was approved by the Ministry of Economic Affairs for review. In addition, as stated in the letter issued by the Ministry of Economic Affairs Investment Review Committee, when Nocsys remits the transferred share capital, the accumulated investment in mainland China will be deducted.

Note 9: On April 19, 2019, the Company got the approval from the Investment Board, Ministry of Economic Affairs to invest in Zhuhai Jinfangda Technology Co., Ltd. which was recognized under the financial assets at fair value through profit or loss - non-current.

Note 10: Originally, the investment in mainland China was through the Company's subsidiaries that is located in the third region. Since the Company reorganized its organization structure in September 2019, Edgecore Networks Corporation will invest in mainland China directly.

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

(Concluded)

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

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

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

ITEM	STATEMENT INDEX
MAJOR ACCOUNTING ITEMS IN ASSETS, LIABILITIES AND EQUITY	
STATEMENT OF CASH AND CASH EQUIVALENTS	1
STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT	2
STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - CURRENT	3
STATEMENT OF FINANCIAL ASSETS AT AMORTIZED COST - CURRENT	4
STATEMENT OF TRADE RECEIVABLES	5
STATEMENT OF OTHER RECEIVABLES	6
STATEMENT OF INVENTORIES	7
STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - NON-CURRENT	8
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD	9
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT	Note 13
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	Note 13
STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS	10
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS	10
STATEMENT OF CHANGES IN INTANGIBLE ASSETS	Note 15
STATEMENT OF DEFERRED INCOME TAX ASSETS	Note 24(3)
STATEMENT OF TRADE PAYABLES	11
STATEMENT OF LEASE LIABILITIES	12
STATEMENT OF LONG-TERM BORROWINGS	13
MAJOR ACCOUNTING ITEMS IN PROFIT OR LOSS	
STATEMENT OF NET REVENUE	14
STATEMENT OF OPERATING COST	15
STATEMENT OF OPERATING EXPENSES	16
STATEMENT OF OTHER REVENUE	Note 23
STATEMENT OF LABOR, DEPRECIATION, DEPLETION AND AMORTIZATION BY FUNCTION	17

ACCTON TECHNOLOGY CORPORATION**STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Item	Description	Amount
Petty Cash		\$ 711
Demand Deposits	Including NT36,807 thousand, USD44,989 thousand @28.48, RMB17 thousand @4.377, JPY\$3,342 thousand @0.2763, EUR\$76 thousand @35.02	1,321,772
Checking Accounts		181
Time deposits	Expired by the end of March 2021 interest rates at 0.001%-0.350%	552,305
Repurchase agreements collateralized by bonds	Including USD16,000 thousand, and the annual interest rates were 0.400%	<u>455,680</u> 2,330,649
Less: Pledged time deposits	Provided as a collateral for customs clearance	<u>(277,773)</u>
Total		<u>\$ 2,302,876</u>

ACCTON TECHNOLOGY CORPORATION

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT
DECEMBER 31, 2020

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

Item	Units (Thousand)	Cost	Fair Value		Note
			Unit Price	Amount	
Beneficiary certificates of the open-end mutual funds					
Jih Sun Money Market Fund	18,740	\$ 280,000	14.9500	\$ 280,157	Note
Allianz Global Investors Taiwan Money Market Fund	19,792	250,000	12.6329	250,025	Note
Fuh Hwa Money Market Fund	16,503	240,000	14.5440	240,019	Note
Yuanta Wan Tai Money Market Fund	15,078	230,000	15.2552	230,017	Note
FSITC Money Market Fund	1,113	200,000	179.8500	200,225	Note
Taishin Ta-Chong Money Market Fund	13,976	200,000	14.3204	200,135	Note
UPAMC James Bond Money Market Fund	11,879	200,000	16.8408	200,056	Note
Yuanta De-Li Money Market Fund	6,083	100,000	16.4389	100,001	Note
Fuh Hwa You Li Money Market Fund	6,261	85,000	13.5776	85,004	Note
Mega Diamond Money Market Fund	6,325	80,000	12.6499	80,015	Note
Yuanta De- Bao Money Market Fund	4,129	<u>50,000</u>	12.1097	<u>50,003</u>	Note
		<u>\$ 1,915,000</u>		<u>\$ 1,915,657</u>	

Note: Fair value is calculated based on the fund's net value at the end of December 2020.

ACCTON TECHNOLOGY CORPORATION

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE
INCOME - CURRENT

DECEMBER 31, 2020

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

Item	Unit (Thousand)	Acquisition Cost	Unit Price (Dollars)	Fair Value
Current				
Domestic listed shares and emerging market shares				
First Hi-Tec Enterprise Co., Ltd.	1,496	\$ 20,202	52.50	\$ 78,516
Cathay financial holding Co., Ltd. - preference shares	830	49,800	61.80	51,294
Clientron Corp.	289	1,979	17.12	4,954
Cathay financial holding Co., Ltd.- preference share B	35	<u>2,082</u>	62.90	<u>2,183</u>
Subtotal		74,063		136,947
Foreign unlisted shares				
TechnoConcepts Inc.	597	<u>19,362</u>		<u>-</u>
		<u>\$ 93,425</u>		<u>\$ 136,947</u>
Non-Current				
Foreign unlisted shares				
Worldgate Communication, Inc.	3,200	<u>\$ 41,965</u>		<u>\$ -</u>

Note: Fair value is calculated based on the closing price at the end of December 2020.

ACCTON TECHNOLOGY CORPORATION

STATEMENT OF FINANCIAL ASSETS AT AMORTIZED COST - CURRENT

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Time deposits with original maturity of more than 3 months	USD\$10,000 thousands, Period: 2020.03.10-2021.03.12, Annual interest rate 1.25%	\$ 284,800
	USD\$7,000 thousands, Period: 2020.12.08-2021.04.08, Annual interest rate 0.19%	199,360
	NTD\$198,044 thousands, Period: 2020.12.08-2021.07.27, Annual interest rate 0.36%	198,044
	NTD\$170,000 thousands, Period: 2020.11.06-2021.05.27, Annual interest rate 0.45%	170,000
	NTD\$170,000 thousands, Period: 2020.11.10-2021.07.27, Annual interest rate 0.45%	170,000
	NTD\$170,000 thousands, Period: 2020.11.03-2021.05.27, Annual interest rate 0.40%	170,000
	NTD\$150,000 thousands, Period: 2020.12.14-2021.07.27, Annual interest rate 0.35%	150,000
	USD\$5,000 thousands, Period: 2020.03.05-2021.03.04, Annual interest rate 1.76%	142,400
	USD\$5,000 thousands, Period: 2020.06.24-2021.06.24, Annual interest rate 0.91%	142,400
	USD\$5,000 thousands, Period: 2020.10.14-2021.04.14, Annual interest rate 0.33%	142,400
	NTD\$140,000 thousands, Period: 2020.11.30-2021.05.28, Annual interest rate 0.34%	140,000
	NTD\$130,000 thousands, Period: 2020.10.21-2021.01.28, Annual interest rate 0.39%	130,000
	NTD\$120,000 thousands, Period: 2020.12.24-2021.03.30, Annual interest rate 0.34%	120,000
	NTD\$114,000 thousands, Period: 2020.12.03-2021.05.27, Annual interest rate 0.36%	114,000
	NTD\$114,000 thousands, Period: 2020.12.02-2021.05.27, Annual interest rate 0.36%	114,000
	NTD\$110,000 thousands, Period: 2020.12.31-2021.07.27, Annual interest rate 0.30%	110,000
	NTD\$100,000 thousands, Period: 2020.12.14-2021.07.27, Annual interest rate 0.35%	100,000
	NTD\$90,000 thousands, Period: 2020.11.18-2021.07.27, Annual interest rate 0.44%	90,000
	NTD\$80,000 thousands, Period: 2020.11.13-2021.07.27, Annual interest rate 0.41%	80,000
	USD\$2,000 thousands, Period: 2020.12.01-2021.03.03, Annual interest rate 0.19%	<u>56,960</u>
		<u>\$ 2,824,364</u>

ACCTON TECHNOLOGY CORPORATION**STATEMENT OF NOTES AND TRADE RECEIVABLES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Client Name	Amount
Client A	\$ 1,904,034
Client B	1,787,975
Client C	861,905
Client D	373,137
Client E	372,496
Others (Note)	<u>1,128,475</u>
	6,428,022
Less: Allowance for impairment loss	<u>(1,525)</u>
Total	<u>\$ 6,426,497</u>

Note 1: The amount of individual clients that are included in others does not exceed 5% of the account balance.

Note 2: No aging overdue for more than one year.

ACCTON TECHNOLOGY CORPORATION**STATEMENT OF OTHER RECEIVABLES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Item	Amount
Scrap material receivables	\$ 186,547
Tax refund	48,604
Others (Note)	<u>53,922</u>
	289,073
Allowance for impairment loss	<u>(3,046)</u>
Total	<u>\$ 286,027</u>

Note: The amount of individual clients that are included in others does not exceed 5% of the account balance.

ACCTON TECHNOLOGY CORPORATION

STATEMENT OF INVENTORIES

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net Realizable Value
Merchandise	\$ 784,455	\$ 930,719
Finished goods	443,408	558,852
Work in progress	653,810	810,835
Raw materials	<u>3,558,698</u>	<u>3,939,004</u>
Total	<u>\$ 5,440,371</u>	<u>\$ 6,239,410</u>

Note: The amount of inventory insurance is fully insured based on the total amount of inventory from the independent balance sheet.

ACCTON TECHNOLOGY CORPORATION

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Investees	Balance, January 1, 2020		Additions		Decreases		Adjustment (Note 4)	Balance, December 31, 2020	
	Shares (Thousand)	Amount	Shares (Thousand)	Amount	Shares (Thousand)	Amount		Shares (Thousand)	Amount
Domestic and foreign unlisted ordinary shares									
Pershing Systems Corporation (Note 2)	2,298	\$ 47,781	161	\$ -	-	\$ -	\$ 11,173	2,459	\$ 58,954
i Pass Corporation (Note 3)	2,000	39,000	-	-	(401)	-	(11,795)	1,599	27,205
Wave-In Communication Inc.	1,138	2,950	-	-	-	-	6,192	1,138	9,142
Linker Corporation	469	-	-	-	-	-	-	469	-
Global Channel Resource Pte. Ltd.	500	-	-	-	-	-	-	500	-
Stratus Medicine Inc.	833	-	-	-	-	-	-	833	-
Innovium, Inc.	152	-	-	-	-	-	-	152	-
Zentera Systems, Inc.	400	-	-	-	-	-	-	400	-
Clop Technologies Pte. Ltd.	2,000	-	-	-	-	-	-	2,000	-
Xingtera Technology Optimizes	478	-	-	-	-	-	-	478	-
Mitac Information Technology Corp.	300	-	-	-	-	-	-	300	-
Acute Technology Corp.	2,650	-	-	-	-	-	-	2,650	-
Microlinks Technology Corp.	138	-	-	-	-	-	-	138	-
Peracom Networks, Inc.	2,931	-	-	-	-	-	-	2,931	-
Mobits Electronics, Inc.	387	-	-	-	-	-	-	387	-
Vodtel Communications Inc.	122	-	-	-	-	-	-	122	-
Midfin Systems Inc.	1,084	-	-	-	-	-	-	1,084	-
		<u>\$ 89,731</u>		<u>\$ -</u>		<u>\$ -</u>	<u>\$ 5,570</u>		<u>\$ 95,301</u>

Note 1: There is no pledge or guarantee for the above financial assets.

Note 2: The increase in the number of shares was due to the issuance of share dividends by the investees company.

Note 3: The decrease in the number of shares was due to the capital reduction to offset a deficit by the investee companies.

Note 4: Recognition for the profit (loss) of financial assets measured at fair value through other comprehensive income based on the fair value in the end of 2020.

ACCTON TECHNOLOGY CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Balance, January 1, 2020		Shares of the Other Comprehensive Income (Loss) of Subsidiaries Accounted for Using the Equity Method (Note 1)	Acquired Subsidiaries Cash Dividends	Subsidiaries Allocated the Parent Company's Cash Dividend	Unrealized Gain (Loss) on Investments in Equity Instruments at Fair Value Through Other Comprehensive Income	Exchange Differences Arising on Translation to the Presentation Currency	Unrealized Gain	Balance, December 31, 2020			Net Assets Value
	Shares (Thousand)	Amount							Shares (Thousand)	%	Amount	
Accton Century Holding (BVI) Co., Ltd.	51,973	\$ 4,136,769	\$ 187,396	\$ -	\$ -	\$ -	\$ 66,757	\$ -	51,973	100	\$ 4,390,922	\$ 4,433,343
Edgecore Network Corporation	50,000	1,427,498	160,695	(493,709)	-	-	1,248	21,670	50,000	100	1,117,402	1,137,018
Accton Technology Corp. USA	2,199	176,257	1,818	-	-	-	(8,902)	-	2,199	100	169,173	169,173
SMC Networks Inc.	24,149	147,732	(1,391)	-	-	13,042	(12,080)	-	24,149	100	147,303	147,303
Accton Investment Corp. (BVI)	1,004	162,752	(50,952)	-	15,683	-	-	-	1,004	100	127,483	178,482
Accton Technology (China) Co., Ltd.	6,600	99,731	(8,062)	-	-	-	1,567	-	6,600	100	93,236	93,236
Accton Logistics Corp. (USA)	1	60,459	2,405	-	-	-	(5,861)	25,698	1	100	82,701	104,616
E-direct Corporation	3,852	79,419	20,460	(19,953)	-	-	-	-	3,852	100	79,926	77,996
Oenix Biomed Co., Ltd.	2,000	14,369	(1,440)	-	-	-	-	-	2,000	40	12,929	12,929
Metaligence Technology Corp.	4,641	12,324	(8,803)	-	-	-	-	-	4,641	100	3,521	3,521
Nocsys Inc.	50,000	2,861	(141)	-	-	-	-	-	50,000	100	2,720	2,720
4ipnet, INC.	7,840	(19,279)	19,282	-	-	-	-	-	7,840	98	3	3
Accton Global Inc. (Note 3)	10	(140,643)	18,930	-	-	-	(4,460)	(237,208)	10	100	(363,381)	56,424
		6,160,249	\$ 340,197	\$ (513,662)	\$ 15,683	\$ 13,042	\$ 38,269	\$ (189,840)			5,863,938	\$ 6,416,764
Trade receivables from related parties		141,886									363,381	
Other receivables from related parties		14,009									-	
Other non-current liabilities		4,027									-	
Total		\$ 6,320,171									\$ 6,227,319	

Note 1: The gains and losses of the investment and the net equity value are calculated according to the investees' financial statements which audited by the accountant.

Note 2: There is no pledge or guarantee for the above financial assets.

Note 3: Edgecore USA Corp. renamed Accton Global Inc. by a resolution of the board of directors on April 10, 2020.

ACCTON TECHNOLOGY CORPORATION**STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS AND STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

	Land	Buildings	Total
Cost			
Balance at January 1, 2020	\$ 143,783	\$ 438,322	\$ 582,105
Additions	<u>16,614</u>	<u>42,756</u>	<u>59,370</u>
Balance at December 31, 2020	<u>160,397</u>	<u>481,078</u>	<u>641,475</u>
Accumulated depreciation			
Balance at January 1, 2020	4,888	56,185	61,073
Depreciation	<u>5,586</u>	<u>97,111</u>	<u>102,697</u>
Balance at December 31, 2020	<u>10,474</u>	<u>153,296</u>	<u>163,770</u>
Carrying amount at December 31, 2020	<u>\$ 149,923</u>	<u>\$ 327,782</u>	<u>\$ 477,705</u>

ACCTON TECHNOLOGY CORPORATION

STATEMENT OF TRADE PAYABLES

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Avago Technologies International Sales Pte. Limited	\$ 527,734
Texas Instruments Taiwan Limited - Hong Kong Branch	383,267
Tsuding Global Electronic Co., Ltd.	350,011
Morrihan International Corp.	293,103
Timson Enterprise Co., Ltd.	210,707
3Y Power Technology (Taiwan) Inc.	94,925
Others (Note)	<u>3,926,525</u>
Total	<u>\$ 5,786,272</u>

Note: The amount of individual vendor in others does not exceed 5% of the account balance.

ACCTON TECHNOLOGY CORPORATION**STATEMENT OF LEASE LIABILITIES****FOR THE YEAR ENDED DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Item	Lease Term	Discount Rate	Amount
Land	2019.01-2048.05	2.51%-2.80%	\$ 152,683
Buildings	2019.01-2027.12	1.35%-2.20%	<u>317,304</u>
Total			469,987
Less: Lease liabilities - current			<u>(91,079)</u>
Lease liabilities -non-current			<u>\$ 378,908</u>

ACCTON TECHNOLOGY CORPORATION

STATEMENT OF LONG-TERM BORROWINGS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Creditor	Period and Repayment Method	Range of Interest Rates (%)	Balance End of Year	Pledged or Mortgaged
Mega International Commercial Bank	2019.07.10-2026.06.15 and from June 2022, 49 monthly payments of principal and interest	-	\$ 1,000,000	-
Chang Hwa Commercial Bank	2019.05.09-2026.04.15 and from June 2020, 47 monthly payments of principal and interest	0.1	<u>218,000</u>	-
			1,218,000	
Less: Deferred revenue			<u>(54,530)</u>	
			<u>\$ 1,163,470</u>	

ACCTON TECHNOLOGY CORPORATION**STATEMENT OF NET REVENUE****FOR THE YEAR ENDED DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Item	Quantity	Unit	Amount
Switch	2,351	Thousand	\$ 36,588,609
Network Application	2,323	Thousand	7,648,302
Metro Access Switch	519	Thousand	4,745,468
Wireless	599	Thousand	1,013,991
			<u>1,345,687</u>
Other			51,342,057
			<u>(71,559)</u>
Sales return and allowance			<u>\$ 51,270,498</u>

ACCTON TECHNOLOGY CORPORATION**STATEMENT OF OPERATING COST
FOR THE YEAR ENDED DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Item	Amount
Direct materials	
Balance, beginning of year	\$ 3,153,276
Raw material purchased	30,994,984
Transferred to expenses and others	(9,271,726)
Raw materials cost of sales	(494,815)
Raw materials, end of year	<u>(3,558,698)</u>
Raw material used	20,823,021
Manufacturing expenses	1,159,660
Direct labor	<u>671,179</u>
Manufacturing costs	22,653,860
Work in progress, beginning of year	420,368
Work in progress, end of year	(653,810)
Transferred to expenses and others	<u>(149,010)</u>
Cost of finished goods	22,271,408
Finished goods, beginning of year	647,797
Finished goods, end of year	(443,408)
Transferred to expenses and others	<u>(41,109)</u>
Cost of production and marketing	<u>22,434,688</u>
Merchandise, beginning of year	838,085
Merchandise purchased	19,209,980
Merchandise, end of year	(784,455)
Transferred to expenses and others	<u>(757,096)</u>
Cost of trading merchandise	<u>18,506,514</u>
Cost of selling raw material	<u>494,815</u>
Cost of maintenance	<u>177,872</u>
Cost of goods sold	<u>\$ 41,613,889</u>

ACCTON TECHNOLOGY CORPORATION

STATEMENT OF OPERATING EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars)

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses
Salary and bonuses	\$ 394,352	\$ 657,456	\$ 1,023,695
Import and export miscellaneous charges	139,309	76,792	5,922
Overseas sales support fee	124,249	-	-
Processing fee	66,499	-	552
Taxes and fees	64,778	5,838	1,018
Consumables fees	15,748	-	152,242
Professional service fees	4,314	62,538	8,078
Remuneration of directors	-	45,270	-
Others (Note)	<u>164,528</u>	<u>297,207</u>	<u>400,366</u>
Total	<u>\$ 973,777</u>	<u>\$ 1,145,101</u>	<u>\$ 1,591,873</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

ACCTON TECHNOLOGY CORPORATION

STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION
 FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2018
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	For the Year Ended December 31					
	2020			2019		
	Classified as Operating Cost	Classified as Operating Expenses	Total	Classified as Operating Cost	Classified as Operating Expenses	Total
Labor cost						
Salary	\$ 740,683	\$ 2,077,833	\$ 2,818,516	\$ 520,111	\$ 1,809,962	\$ 2,330,073
Labor and health insurance	77,846	115,154	193,000	53,740	98,043	151,783
Pension	22,679	62,983	85,662	15,127	53,012	68,139
Remuneration of directors	-	45,270	45,270	-	45,375	45,375
Others	63,411	59,467	122,878	48,779	53,378	102,157
Total	<u>\$ 904,619</u>	<u>\$ 2,360,707</u>	<u>\$ 3,265,326</u>	<u>\$ 637,757</u>	<u>\$ 2,059,770</u>	<u>\$ 2,697,527</u>
Depreciation	<u>\$ 222,319</u>	<u>\$ 176,882</u>	<u>\$ 399,201</u>	<u>\$ 131,866</u>	<u>\$ 129,135</u>	<u>\$ 261,001</u>
Amortization	<u>\$ 5,635</u>	<u>\$ 29,683</u>	<u>\$ 35,318</u>	<u>\$ 2,218</u>	<u>\$ 25,637</u>	<u>\$ 27,855</u>

Note 1: For the year of 2020 and 2019, the Company had average 2,716 and 2,180 employees per month, respectively, which includes 5 and 6 non-employee directors for years.

Note 2: Companies whose stocks are listed on the stock exchange or listed on the stock counter trading center should disclose the following information:

- 1) The average employee welfare expense for the current year is 1,188 thousand (“Total employee welfare expenses for the current year-Total directors’ remuneration”/“Number of employees for the current year-Number of directors who are not concurrent employees”).

The average employee welfare expense for the current year is 1,220 thousand (“Total employee welfare expenses for the current year-Total directors’ remuneration”/“Number of employees for the current year-Number of directors who are not concurrent employees”).

- 2) The average employee salary expenses for the current year is 1,040 thousand (the total salary expenses for the current year/“the number of employees in the current year-the number of directors who are not part-time employees”).

The average employee salary expenses for the current year is 1,072 thousand (the total salary expenses for the current year/“the number of employees in the current year-the number of directors who are not part-time employees”).

- 3) Changes in the average employee salary expense adjustment (2.99)% (“Average employee salary expense for the current year-Average employee salary expense for the previous year”/Average employee salary expense for the previous year).

- 4) The Company has established an audit committee, and the remuneration of independent directors has been included in the remuneration of directors.

- 5) Compensation and Remuneration Policy.

a. Remuneration of directors is paid according to the provision of article 18 of Articles of Incorporation of the Company. According to the compensation and remuneration policy, if the company makes a profit, the distribution of compensation and remuneration of directors shall be no more than 1.5%, and shall be resolved by the compensation committee and the board of directors. The distribution of compensation shall be reported in the shareholders’ meeting. However, if the company still has accumulated loss, the Company shall set aside a specific amount of retained earnings to cover the loss and then accrue the compensation and remuneration of directors as mentioned above.

b. The compensation and remuneration of the president and vice president paid by the Company mainly include fixed salary, variable bonuses and other payments. Such compensation package is based on the same industry level determined by the compensation committee and based on the Company’s business performance and individual competence of executives. Based on overall performance appraisal, executives are rewarded upon the approval of the board of directors.