



**Accton Technology Corporation**  
**2020 Annual Shareholders' Meeting Agenda**

Meeting time: June 18, 2020 (Thursday) 9:00 a.m..

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

Quorum : 510,499,798 shares were represented by shareholders in person and by proxy, which are mounted to 91.75% of the Company's 556,357,530 issued and outstanding shares (deducting 2,209,867 shares held by the subsidiary, Accton Investment Corp. (BVI) from the Company's total issued shares of 558,567,397).

Directors present : Kuo, Fai-Long, Lin, Meen-Ron, Huang, Kuo-Hsiu, Du, Heng-Yi, Lin, Shiou-Ling, Chang, Chih-Ping, Chen, Shuh, Edgar Masri  
Hung, Yao-Chin, Attorney-at-law of Hong Young Law Office  
Lin, Cheng-Chih, CPAs of Deloitte & Touche

Chairman : Kuo, Fai-Long

Recorder : Hsu, Pei-Chun

- I. Call the Meeting to Order:** The Chairman announced that the aggregate shareholding of the shareholders present in person or proxy constituted a quorum. The Chairman called the meeting to order.

**Chairman Remarks:** (Omitted)

**Report items:**

- (1) Report on the Company's 2019 business. (see Attachment I)
- (2) Report on the Company's 2019 Audit Committee's Review Report. (see Attachment II)
- (3) Report on the Company's 2019 employees compensation and directors remuneration distribution.

**Explanation:**

- I. On March 12, 2020, the Remuneration Committee resolved on the distribution of remuneration to employees and directors in accordance with the Articles of Association of the Company.
- II. The Company is expected to allocate NT\$741,109,448 to employees' compensation, and NT\$45,000,000 to directors' remuneration.
- III. All aforementioned compensation for employees and remuneration for directors shall be paid in cash; the receivers of remuneration for employees shall include the employees of the subordinated companies of the Company who meet certain conditions.
- IV. The distribution of employees' compensation and directors' remuneration were submitted to the shareholders' meeting after the adoption of the Board resolution on March 19, 2020.

(4)Amendment of the Company’s Ethical Corporate Management Best Practice Principles.

**Explanation:**

- I. Proposed to amend part of the provisions of the Company’s Ethical Corporate Management Best Practice Principles in accordance with Jin-Guan-Zheng-Fa-Zi No. 1080307434 issued by the Financial Supervisory Commission on May 16, 2019.
- II. Please proceed to resolve.

Article No.	Amended Provision	Current Provision
1	<p><b>Purpose and Scope</b></p> <p>To establish a framework for business development and sound development of the company's ethical corporate management as the reference for good business operations, these Ethical Corporate Management Best Practice Principles have been established.</p> <p>These principles are <u>also</u> applicable to the <u>group’s companies and organizations, including the company’s subsidiaries, corporations providing more than 50% of funds directly or indirectly in a cumulative manner, or institutions or corporations having substantive control.</u></p>	<p><b>Purpose and Scope</b></p> <p>To establish a framework for business development and sound development of the company's ethical corporate management as the reference for good business operations, these Ethical Corporate Management Best Practice Principles have been established.</p> <p>These Principles are applicable to the company’s <del>and its</del> subsidiaries.</p>
2	<p><b>Prohibition of unethical conduct</b></p> <p>The company's directors, managers, employees, or the persons having substantive control <u>(hereinafter referred to as the substantive controller)</u> are not allowed to provide, promise, request or accept any improper benefits, nor commit unethical acts, including breach of ethics, illegal acts, or breach of fiduciary duty ("unethical conduct") for purposes of acquiring or maintaining benefits.</p> <p><u>The counter-parties as mentioned in the preceding paragraph include public servants, candidates for political participation, political parties or political partisan members, as well as any public or private enterprises or institutions and their directors, supervisors, managers, employees, substantive controllers, or other stakeholders.</u></p>	<p><b>Prohibition of unethical conduct</b></p> <p>The company's directors, managers, employees, or the persons having substantive control are not allowed to provide, promise, request or accept any improper benefits, nor commit unethical acts, including breach of ethics, illegal acts, or breach of fiduciary duty ("unethical conduct") for purposes of acquiring or maintaining benefits.</p>

Article No.	Amended Provision	Current Provision
5	<p><b>Policies</b></p> <p>Based on the business philosophies of honesty, transparency and responsibility, the company has developed policies, <u>which are approved by the board of directors,</u> on the principle of good faith and established good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.</p>	<p><b>Policies</b></p> <p>Based on the business philosophies of honesty, transparency and responsibility, the company has developed policies on the principle of good faith and established good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.</p>
6	<p><b>Prevention Programs</b></p> <p>The company's <u>ethical</u> management policies <u>shall</u> clearly and thoroughly set out <u>specific ethical management practices</u> and a plan for prevention of unethical conduct (hereinafter referred to as the "prevention program"), including the operational procedures, guidelines, and education and training.</p> <p><u>The company's prevention program shall comply with the local relevant laws and regulations where the company and its group's companies and organizations operate.</u></p> <p><u>During the process of formulating the prevention program, the company shall communicate with employees, labor unions, important business trading counter-parties, or other stakeholders.</u></p>	<p><b>Prevention Programs</b></p> <p>The company has formulated a plan for prevention of unethical conduct (hereinafter referred to as the "prevention program") in accordance with the operating <del>philosophy and policies of the preceding</del> <del>article,</del> including the operational procedures, guidelines, and education and training.</p>
7	<p><b>Scope of Prevention</b></p> <p>The company <u>shall establish an assessment mechanism for the risk of unethical conduct to regularly analyze and evaluate</u> business activities with a higher risk of unethical conduct within the scope of business activities, <u>based on which a preventive plan shall be formulated and the appropriateness and effectiveness of the plan shall be reviewed periodically.</u></p> <p>The company has established preventative measures to cover at least the following:</p> <ol style="list-style-type: none"> <li>1. Offering and acceptance of bribes.</li> <li>2. Providing illegal political donations.</li> <li>3. Improper charitable donations or sponsorships.</li> <li>4. Offering or acceptance of unreasonable presents, hospitality, or other improper benefits.</li> <li>5. <u>Infringement of business secrets, trademark rights, patent rights, copyrights, and other intellectual property rights.</u></li> <li>6. <u>Engaging in unfair competition.</u></li> <li>7. <u>Products and services directly or indirectly damage the rights, health, and safety of</u></li> </ol>	<p><b>Scope of Prevention</b></p> <p>The company's <del>has established</del> preventive measures <del>for</del> business activities with higher risks of unethical conduct in the scope of its business activities.</p> <p>The company has established preventative measures to cover at least the following:</p> <ol style="list-style-type: none"> <li>1. Offering and acceptance of bribes.</li> <li>2. Providing illegal political donations.</li> <li>3. Improper charitable donations or sponsorships.</li> <li>4. Offering or acceptance of unreasonable presents, hospitality, or other improper benefits.</li> </ol>

Article No.	Amended Provision	Current Provision
	<u>consumers or other stakeholders during research and development, procurement, manufacturing, provision, or sale.</u>	
8	<p><b>Commitment and execution</b>  <u>The company shall require directors and senior management to issue a statement of compliance with the ethical management policies, and require employees to comply with the policies in the terms of employment.</u>  The company and its <u>group’s companies and organizations</u> shall clearly state the policies of ethical management in their regulations, external documents, official websites, and the Board of Directors and the senior management shall undertake the <u>commitment</u> to active implementation of <u>the policies</u>, while executing the policies in the internal management and external business activities.  <u>The ethical management policies, statements, commitment and implementation mentioned in the first and second paragraph shall be, documented and kept properly.</u></p>	<p><b>Commitment and execution</b>  The company and <del>its subsidiaries</del> shall clearly state the policies of ethical management in the regulations <del>and</del> external documents, and the Board of Directors and the management <del>shall</del> undertakes the <del>commitment</del> to active implementation, while executing the policies in the internal management and <del>external</del> business activities.</p>
9	<p><b>Business activities of ethical corporate management</b>  The company shall conduct business activities in a fair and transparent manner in the principle of ethical management.  Prior to any commercial transactions, the company shall <u>consider</u> the legality of its agents, suppliers, clients, or other trading counter-parties and whether any of them are involved in unethical conduct, to avoid any dealings with people <u>involved</u> in unethical conduct.  <u>The contract signed between the company and its agents, suppliers, clients, or other business trading counter-parties should include compliance with the ethical corporate management policies and the term that if the counterparty in a transaction is involved in unethical conduct, the company may terminate or cancel the contract at any time.</u></p>	<p><b>Business activities of ethical corporate management</b>  The company shall conduct business activities in a fair and transparent manner in the principle of ethical management.  Prior to any commercial transactions, the company <del>will take into consideration</del> the legality of it agents, suppliers, clients, or other trading counter-parties and whether any of them are involved in unethical conduct, to avoid any dealings with people who have <del>a record of</del> unethical conduct.</p>
10	<p><b>Prohibition of offering and acceptance of bribes</b>  When conducting business, the company and its directors, managers, employees, entrusted persons, and substantive controllers shall not directly or indirectly provide, promise, request, or receive any form of improper benefits, to and</p>	<p><b>Prohibition of offering and acceptance of bribes</b>  When conducting business, the company and its directors, managers, employees, entrusted persons, and people having substantive control shall not directly or indirectly provide, promise, request, or receive any form of improper benefits, <del>including rebates, commissions, or bribes, — or provide or</del></p>

Article No.	Amended Provision	Current Provision
	from <u>clients, agents, contractors, suppliers, public servants, or other stakeholders.</u>	<del>receive improper benefits to and from clients, agents, contractors, suppliers, public servants, or other stakeholders through other channels.</del>
17	<p><b>Organization and responsibility</b></p> <p>The company's directors, managers, employees, entrusted people, and people having substantive control shall exercise the due care of good administrators to urge the company to prevent unethical conduct, always review the results of the preventive measures, and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.</p> <p>To improve the ethical management, the company has established the Corporate Governance and Ethical Management Committee as the dedicated unit <u>under the Board of Directors with sufficient resources and appropriate personnel</u>, responsible for the formulation and supervision of the implementation of ethical management policies and preventive <u>plans</u>. It <u>mainly handles the following matters</u> and reports to the Board of Directors <u>periodically (at least once a year)</u>:</p> <ol style="list-style-type: none"> <li>1. <u>Assist in the integration of ethics and moral values into the company's business strategy and formulate relevant anti-fraud measures to ensure integrity management in line with the laws and regulations.</u></li> <li>2. <u>Regularly analyze and evaluate the risks of unethical conduct within the scope of business activities and formulate plans to prevent unethical conduct based on the analysis and evaluation, as well as develop standard operating procedures and behavior guidelines for work and business in each plan.</u></li> <li>3. <u>Responsible for internal organization, personnel allocation, and management, and establish a mutual supervision and check mechanism for business activities with a high risk of unethical conduct within the scope of business.</u></li> <li>4. <u>Promote and coordinate ethics policy education and training.</u></li> <li>5. <u>Plan a whistleblowing system to ensure the effectiveness of implementation.</u></li> <li>6. <u>Assist the Board of Directors and the management in checking and evaluating the effectiveness of the preventive measures established for the purpose of ethical</u></li> </ol>	<p><b>Organization and responsibility</b></p> <p>The company's directors, managers, employees, entrusted people, and people having substantive control shall exercise the due care of good administrators to urge the company to prevent unethical conduct, always review the results of the preventive <del>measures</del>, and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.</p> <p>To improve the ethical management, the company has established the Corporate Governance and Ethical Management Committee as the dedicated unit responsible for the formulation and supervision of the implementation of ethical management policies and preventive measures; <del>in the case of occurrence of major violations</del>, it shall reports to the board of directors.</p>

Article No.	Amended Provision	Current Provision
	<p><u>management, as well as evaluate the compliance in relevant business processes regularly and prepare reports accordingly.</u></p>	
20	<p><b>Accounting and internal control</b>  The company <u>shall</u> establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are continuously effective.  The company's internal audit unit shall <u>formulate relevant audit plans based on the audit results of the risk of unethical conduct with the content covering the subjects to be audited, auditing scope, items, and frequency, while regularly checking the compliance with preventive plans;</u> may seek assistance from professionals if necessary.  <u>The audit results in the preceding paragraph shall be reported to the senior management and the dedicated management unit, and an audit report shall be prepared and reported to the Board of Directors.</u></p>	<p><b>Accounting and internal control</b>  The company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are continuously effective.  The company's internal audit unit shall <del>regularly</del> check the compliance with the systems <del>in the preceding paragraph, prepare an audit report and submit it to the board of directors,</del> and may appoint an certified public accountant to perform the audit, and if necessary, may seek assistance from professionals.</p>
22	<p><b>Education and training</b>  <u>The company's chairperson, president, or senior management shall regularly communicate the importance of ethics to directors, employees, and entrusted persons.</u>  The company <u>shall</u> periodically organize training and promotion programs for directors, managers, employees, entrusted persons, and substantive controllers, so they fully understand the company's determination to implement ethical corporate management, the relevant policies, preventive measures, and the consequences of committing unethical conduct.  The company <u>shall</u> incorporate its ethical corporate management policies into its employee performance appraisal system <u>and</u> human resource policies to <u>establish a well-defined and effective reward and discipline system.</u></p>	<p><b>Education and training</b>  The company shall periodically organize training and promotion programs for directors, managers, employees, entrusted persons, and people having substantive control, as well as the company's commercial transaction counter-parties, so they fully understand the company's determination to implement ethical corporate management, the relevant policies, preventive measures, and the consequences of committing unethical conduct.  The company incorporates its ethical corporate management policies into its employee performance appraisal system and human resource policies, <del>and reward and discipline system.</del></p>

Article No.	Amended Provision	Current Provision
23	<p><b>Whistleblowing and punishment</b></p> <p>The company shall formulate a specific <u>whistleblowing system and implement it in a practical manner. The content shall at least cover the following matters:</u></p> <ol style="list-style-type: none"> <li>1. <u>Establish and announce the internal independent whistleblowing mailbox and dedicated lines or entrust other external independent agencies to provide the whistleblowing mailbox and dedicated lines for the company's internal and external personnel.</u></li> <li>2. <u>Designate personnel or a unit to be responsible for accepting whistleblowing cases. If any directors or senior management members are involved, the involvement shall be reported to the independent directors. Set the type of whistleblowing cases and the standard operating procedures of the investigation.</u></li> <li>3. <u>After the investigation of a whistleblowing case is completed, follow-up measures shall be taken in accordance with the circumstances of the case; the case shall be reported to the competent authorities or transferred to the judicial authorities for investigation if necessary.</u></li> <li>4. <u>Record and preserve the acceptance of whistleblowing cases, the investigation process, the investigation results, and the production of relevant documents.</u></li> <li>5. <u>Keep the identity of whistleblowers and the content reported confidential and allow for anonymous reporting.</u></li> <li>6. <u>Measures to protect whistleblowers from being treated inappropriately because of reporting.</u></li> <li>7. <u>Incentive measures for whistleblowers.</u></li> </ol> <p><u>If the company's dedicated personnel or unit in charge of acceptance of whistleblowing cases has discovered a major violation of the rules or the fact that the company is in danger of serious damage, they shall immediately prepare a report and notify the independent directors in writing.</u></p>	<p><b>Whistleblowing and punishment</b></p> <p>The company shall adopt a legitimate whistleblowing system, and the identity of whistleblowers and the content of complaints shall be kept strictly confidential.</p>
24	<p><b>Disciplinary and appeal system</b></p> <p>The company shall adopt and <u>publish</u> a well-defined disciplinary and appeal system for handling violations of the ethical corporate management rules, and shall disclose violations immediately on the company's internal website</p>	<p><b>Disciplinary and appeal system</b></p> <p>The company shall adopt and publish a well-defined disciplinary and appeal system for handling violations of the ethical corporate management rules, and shall disclose <del>the details of</del> violations and actions taken in response immediately on the</p>

Article No.	Amended Provision	Current Provision
	regarding the title and name of violators, the date and content of violations, as well as actions taken in response.	company's internal website.
25	<p><b>Disclosure of Information</b></p> <p>The company shall establish quantitative data to promote ethical management, continuously analyze and evaluate the effectiveness of the implementation of the ethics policies, disclose its ethical corporate management practices, implementation status, the aforementioned quantitative data, and the effectiveness of the implementation on its website, annual report and prospectuses, while disclosing the content of these principles on the Market Observation Post System.</p>	<p><b>Disclosure of Information</b></p> <p>The company shall disclose its <del>implementation status</del> of ethical corporate management principles on its website, annual report and prospectuses.</p>
27	<p><b>Implementation</b></p> <p>These principles shall be implemented after being approved by the board of directors and reported at the shareholders' meeting; the same applies to any amendments. When the company submits these principles to the Board of Directors for discussion in accordance with the preceding paragraph, it shall fully consider the opinions of each independent directors and record their objections or reservations in the minutes of the board meeting; where an independent director cannot attend the board meeting to express their objections or reservations, in addition to justified reasons, they shall issue written opinions in advance, which shall be recorded in the minutes of the board meeting.</p>	<p><b>Implementation</b></p> <p>These principles shall be implemented after being approved by the board of directors.</p>
28	<p><b>Supplementary provisions</b></p> <p>These principles were established on December 22, 2014. The first amendment was made on December 23, 2015. The second amendment was made on November 8, 2018. <u>The third amendment was on March 19, 2020.</u></p>	<p><b>Supplementary provisions</b></p> <p>These principles were established on December 22, 2014. The first amendment was made on December 23, 2015. The second amendment was made on November 8, 2018.</p>



## II. Proposals

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

**Proposal:** Adoption of the 2019 Business Report and Financial Statements of the Company.

**Explanation:**

- I. The Company's 2019 Business Report and Financial Statements were audited by Cheng-Chih Lin and Yu-Feng Huang, CPAs of Deloitte & Touche, and reviewed by the Audit Committee and approved by the Board of Directors on March 19, 2020.
- II. For the 2019 Business Report, Independent Auditors' Report, and Financial Statements were attached hereto as Attachments I, III and IV.
- III. Please adopt the proposal.

**Resolution :** that the above proposal be and hereby was approved as proposed, with a total number of 510,499,793 voting rights.

Voting Results	Total represented share (including votes cast electronically)
Votes in favor :	430,604,997 votes (84.34 % of the total voting rights)
Votes against :	7,413 votes
Votes invalid :	0 votes
Votes abstained :	79,887,383 votes

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

**Proposal:** Adoption of the proposal for distribution of 2019 earnings of the Company.

**Explanation:** According to the Articles of Association, the distribution of earnings for 2019 is set out below.

- I. In 2019, the net profit after tax of the Company was NT\$4,950,495,461; the re-measurement of defined benefit plan recognized in the retained earnings was NT\$528,787 and the accumulated profit or loss of the disposal of equity instrument investment at fair value through profit and loss directly transferred to retained earnings was NT\$23,716,767.
- II. In accordance with the law, 10% was appropriated for statutory surplus reserve of NT\$495,049,546 and special surplus reserve of NT\$230,752,762. The distributable earnings of this period was NT\$4,621,949,908 (detailed in the following surplus distribution table).
- III. Taking into account the capital requirements for testing the construction of building and related equipment, the Company intended to distribute a cash dividend of NT\$3,462,733,461, NT\$6.2 per share, resulting in an undistributed surplus of NT\$1,159,216,447 at the end of the distribution period.
- IV. The shareholders' bonus calculated in the earnings distribution table shall be authorized by the shareholders' meeting to the board of directors to pay the total shareholders bonus in accordance with the resolution on this earnings distribution if the Company purchases its shares or transfers

its treasury shares or issues new shares due to the exercise of employee warrants before the date of the distribution of shareholders' bonus, where there is a change in the number of shares circulated in the market on the basis day of dividend distribution to shareholders, the dividend rate of shareholders shall be adjusted according to the actual number of shares circulated in the market on the basis day of bonus distribution.

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

**Accton Technology Corporation**  
**2019 Earning Distribution Table**

Unit: NTD

<b>Undistributed earnings at beginning of the period</b>		373,011,201
Add:		
The remeasurement of the defined benefit plan recognized in retained earnings	528,787	
The accumulated profit or loss from the disposal of equity instrument investment at fair value through other comprehensive income directly transferred to retained earnings	23,716,767	
Net income after tax for the current period	4,950,495,461	
Undistributed earnings for the current period		5,347,752,216
Less:		
Appropriation of statutory surplus reserve	(495,049,546)	
Appropriation of special surplus reserve according to law	(230,752,762)	
Distributable earnings for the current period		4,621,949,908
Distribution items:		
Shareholders' dividends – cash (NT\$6.20 per share)	3,462,733,461	
Unappropriated retained earnings at the end of period		1,159,216,447

Chairman: Kuo, Fai-Long      Manager: Lee, Chih-Chiang      Accounting Supervisor: Lin, Meen-Ron

**Resolution** : that the above proposal be and hereby was approved as proposed, with a total number of 510,499,793 voting rights.

Voting Results	Total represented share (including votes cast electronically)
Votes in favor :	432,685,995 votes (84.75 % of the total voting rights)
Votes against :	12,419 votes
Votes invalid :	0 votes
Votes abstained :	77,801,379 votes

**III. Motions:** None

**IV. Adjournment:** Meeting adjourned: 9:29 am.

\*\*In case of any discrepancy between the English and Chinese version of those minutes of 2020 Annual General Shareholders' Meeting of Accton Technology Corporation, the Chinese version shall prevail.



-----  
Kuo, Fai-Long  
Chairman



-----  
Hsu, Pei-Chun  
Recorder

# **Attachments**

# Accton Technology Corporation

## 2019 Business Report

### I. 2019 Business Results

#### (1) Implementation and Results of the 2019 Business Plan

In 2019, the Company's consolidated revenue was NT\$55.401 billion, an increase of about 29% over the previous year, and consolidated net profit after tax was NT\$4.950 billion, an increase of 68% over the previous year. In terms of revenue distribution in various product lines, the network switch accounted for 68% of the total revenue, the network application equipment accounted for 16% of revenue, the network access equipment accounted for 7% of revenue, and the wireless network equipment accounted for 4% of revenue.

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

#### (2) Budget Execution Status

In 2019, revenue and profit were above the Company's internal objectives.

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

The consolidated revenue for the whole year 2019 was NT\$55.401 billion, an increase of about 29% over the previous year; the consolidated gross profit margin of the whole year approximated to 20%; the consolidated net profit after tax was NT\$4.95 billion, equivalent to the consolidated net profit after tax per share of NT\$8.91.

#### (4) Research and Development Status

The Company will continue to invest in the innovation of cutting-edge technology for hardware and software of network communication, and the key R&D for 2019 are as follows:

1. Invest in the development of Open Network switches and router products, cooperate with internationally renowned software partners and open software to provide cloud computing solutions. We also actively participate in the operation and cooperation of open technology development platforms, including OCP (Open Compute Project), TIP (Telecom Infrastructure Project), ONF (Open Networking Foundation) and other important open technology structural platforms, and participate in the development of various open structural technologies, such as SONiC (Software for Open Network in the Cloud).
2. Leading the industry with the mass production of Hyper Scale Data Center high-density 100G and 400G switches.
3. Leading in the development of high-density 200G/600G fiber optic transmission products that provides connections between data centers, fulfilling the transmission demand between data centers.
4. Development of millimeter wave wireless high-speed transmission technology with the Wi-Fi wireless communication technology, mass production of 2.5Gbps point-to-point and point-to-multipoint transmission products, as well as the tri-band omni base station with a transmission

rate of 10Gbps, providing a new generation of high-speed wireless network access solutions.

5. Development in wireless network technology, including 802.11ax Wi-Fi and other newly developed wireless network technology products.
6. R&D of 100G smart network card, establish a virtual server network and provide server network offload function to significantly improve the overall computing efficiency.
7. Mass production of the artificial intelligence (AI) inferencing acceleration card, which provides deep learning clustering calculation function required by the data center to be utilized in AI calculation of massive data.
8. In response to the growth of the Company's business and the actual demand of the overall market expansion, the Company established the Accton Zhunan Plant to expand the production capacity of the production base in Taiwan, improve the quality of manufacturing technology and invest in the upgrade of process automation and capacity optimization. Cloud and AI technology are utilized to connect the production machinery cluster and reach the production quality and manufacturing efficiency of intelligent manufacturing.

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

### **(1) Business Policy**

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

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

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

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

To enhance revenue and profitability, the main development strategies of the Company are as follows:

### **(1) Corporate and telecom network customers**

1. Provide high-efficiency, high-quality products and services; maintain technological leadership.

2. Strengthen cooperation and partnership strategies to jointly develop new markets, continuously improve operation and strive for the best profits.
  3. Provide network equipment that fulfills the future mobile broadband and fixed network requirements in conjunction with chip manufacturers, software developers, solution providers and telecommunication network service operators.
- (2) Hyper Scale Data Center customers
1. For Hyper Scale Data Center customers demands, advanced network products equipped with backbone transmission in line with open network architecture and software defined network specifications will be launched.
  2. Strengthen the software and hardware platform, provide a friendly software development environment, actively participate in the software open source community and provide open source program testing services.
- (3) Wireless network technology integration solution
1. Strengthen the management of wireless network platform and access control options to meet the needs of timeliness, security and simplified operation and maintenance of various wireless applications.
  2. Utilize different radio frequency technologies such as 802.11ax, 802.11a and 5G NR, the development of wireless network connection products will be completed, and a complete network coverage scheme will be provided.
- (4) Network applications and accelerator products
- Develop network function virtualization server to meet the application demands of Edge Computing and SD-WAN. Continue to launch high-performance network uninstallation, information security, data storage and artificial intelligence computing accelerator products.
- (5) Internet of Things application solutions
- Integrate IoT application technology, use broadband, mobile/wireless technology, cloud computing technology to develop solutions for artificial intelligence and automation.
- (6) Improve quality, increase productivity, strengthen production flexibility, fast delivery
1. Increase overall production capacity and local production allocation in response to market and customer demand.
  2. Implement customer-oriented supply chains, optimize product production process, and implement production line intelligence.
  3. Implementing quality management system (QMS) feedback management. Improve product planning quality, shorten product development cycle, improve customer satisfaction with high efficiency.
  4. Cultivate quality strategic suppliers, formulate standard parts and materials, ensure diversified supply and stable delivery.

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

With the global 5G mobile broadband network being built one after another, the demand for network broadband is growing rapidly, cloud applications are increasing continuously. In addition, demand for rapid and secured application services will drive the innovation and business opportunities of network telecommunication equipment. For the future trends in artificial intelligence and the Internet of Things, open architecture and software defined IT will also require a large amount of integrated network equipment, which will drive the next wave of business opportunities. However, the rise of international protectionism and the increasing demand for localization and autonomy of countries will also create new

operational challenges and risks. A more flexible global operation strategy shall be adopted to mitigate the risks. Whether the difficulties in supply chain management caused by the recent COVID-19 epidemic has resulted in a delay in supply or decrease in demand, also requires integration and analysis of information in a prudent manner, so as to implement countermeasures at any time. The biggest challenge for the year does not solely come from the changes in technology and industry trend, but also the ability to adapt to the risks of the global systematic uncertainties, and implement countermeasures and make operation adjustments.

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

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

Chairman: Kuo, Fai-Long

Manager: Lee, Chih-Chiang

Accounting Supervisor: Lin, Meen-Ron



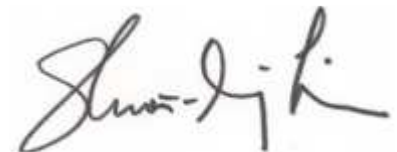
**Accton Technology Corporation**  
**2019 Audit Committee's Review Report**

The Board of Directors has prepared and submitted the Company's 2019 Business Report, Financial Statements, and Earnings Distribution Table, among which the financial statements were audited and completed by Deloitte & Touche, and an audit report was issued. The aforementioned business reports, financial statements, and earnings distribution table have been examined by the Audit Committee and found to be consistent. Please review them in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Sincerely,

2020 Annual Shareholders' Meeting of Accton Technology Corporation

Convener of the Audit Committee: Lin, Shiou-Lin



March 19, 2020

## 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, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, 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 parent company only financial statements for the year ended December 31, 2019 are stated as follows:

#### Revenue recognition

For the year ended December 31, 2019, the Company's net operating revenue was NT\$49,953,689 thousand. Refer to Notes 4 and 22 to the financial statements for the detailed information on accounting policies on revenue.

The Group's operating revenue in recent years have significantly impacted the financial statements for the year ended December 31, 2019. However, sales from some of the Company's customers have grown significantly; therefore, we considered the occurrence of revenue as a key audit matter.

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

1. We understood the internal control design and operating procedures regarding the sales transaction cycle, and we assessed the effectiveness of the internal control operations.
2. We obtained new client's information and inspected whether it was consistent with the system of the customer and was approved by the competent supervisor or not.
3. We selected appropriate samples from sales and inspected whether purchase orders and delivery orders were consistent with invoices or not.
4. We selected appropriate samples from accounts receivable and reviewed whether certificates of remittance and counterparties were consistent with the recorded amounts and counterparties and were approved by the competent supervisor or not.
5. We inspected and analyzed the reasonableness of sales returns and discounts in the subsequent period.

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

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

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

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

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

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

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

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

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

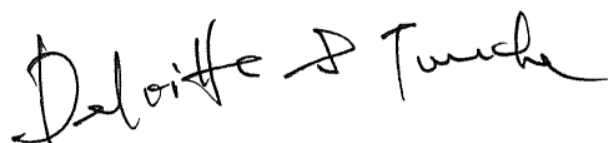
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2019 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 audit resulting in this independent auditors' report are Cheng Chih Lin and Yu Feng Huang.



Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 19, 2020

#### 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, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

ASSETS	2019		2018		LIABILITIES AND EQUITY	2019		2018	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 3,382,500	11	\$ 2,507,795	11	Contract liabilities - current (Notes 4 and 22)	\$ 542,726	2	\$ 331,042	1
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 30)	315,232	1	-	-	Trade payables	4,787,686	16	3,038,121	13
Financial assets at fair value through other comprehensive income - current (Notes 4, 8 and 30)	123,235	-	144,138	1	Trade payables to related parties (Note 31)	6,937,837	23	7,423,671	32
Financial assets at amortized cost - current (Notes 4, 9 and 30)	4,103,392	14	-	-	Bonuses to employees and directors (Note 23)	743,421	2	517,884	2
Trade receivables, net (Notes 4, 5 and 10)	4,162,120	14	5,387,144	23	Payables to machinery and equipment	123,867	-	67,936	-
Receivables from related parties (Notes 4, 5 and 31)	3,782,379	13	3,662,369	16	Other payables (Note 18)	1,759,399	6	600,158	3
Other receivables (Notes 4 and 10)	80,806	-	63,775	-	Other payables to related parties (Note 31)	165,477	1	208,448	1
Other receivables from related parties (Notes 4 and 31)	1,013,925	3	781,590	3	Current tax liabilities (Notes 4 and 24)	749,646	3	382,264	2
Inventories (Notes 4, 5 and 11)	5,059,526	17	3,667,679	16	Provisions - current (Notes 4 and 19)	44,380	-	143,552	1
Prepayments (Note 16)	102,990	-	97,061	1	Lease liabilities - current (Notes 3, 4, 5 and 14)	79,771	-	-	-
Other current assets (Note 16)	6,186	-	10,129	-	Deferred revenue - current (Notes 17 and 27)	8,317	-	-	-
Total current assets	<u>22,132,291</u>	<u>73</u>	<u>16,321,680</u>	<u>71</u>	Refund liabilities - current (Note 22)	3,179	-	23,369	-
<b>NON-CURRENT ASSETS</b>					Total current liabilities	<u>15,945,706</u>	<u>53</u>	<u>12,736,445</u>	<u>55</u>
Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 30)	89,731	1	107,022	1	<b>NON-CURRENT LIABILITIES</b>				
Financial assets at amortized cost - non-current (Notes 4, 9 and 30)	-	-	16,010	-	Long-term borrowings (Note 17)	920,639	3	-	-
Investments accounted for using the equity method (Notes 4, 12 and 31)	6,320,171	21	6,029,096	26	Lease liabilities - non-current (Notes 3, 4, 5 and 14)	429,941	2	-	-
Property, plant and equipment (Notes 4, 13 and 31)	894,509	3	448,783	2	Deferred revenue - non-current (Notes 17 and 27)	44,044	-	-	-
Right-of-use assets (Notes 3, 4, 5 and 14)	521,032	2	-	-	Net defined benefit liabilities - non-current (Notes 4 and 20)	26,809	-	27,331	-
Intangible assets (Notes 4 and 15)	49,263	-	32,385	-	Guarantee deposits	816	-	826	-
Deferred tax assets (Notes 4 and 24)	46,294	-	44,371	-	Other non-current liabilities (Note 12)	4,027	-	-	-
Prepayments for equipment	73,028	-	9,123	-	Total non-current liabilities	<u>1,426,276</u>	<u>5</u>	<u>28,157</u>	<u>-</u>
Refundable deposits	24,050	-	12,534	-	Total liabilities	<u>17,371,982</u>	<u>58</u>	<u>12,764,602</u>	<u>55</u>
Other non-current assets - other (Notes 16 and 32)	22,000	-	15,500	-	<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 21 and 26)</b>				
Total non-current assets	<u>8,040,078</u>	<u>27</u>	<u>6,714,824</u>	<u>29</u>	Share capital				
<b>TOTAL</b>	<u>\$ 30,172,369</u>	<u>100</u>	<u>\$ 23,036,504</u>	<u>100</u>	Ordinary shares	5,580,514	18	5,575,899	24
					Capital surplus	805,715	3	795,148	3
					Retained earnings				
					Legal reserve	1,348,157	4	1,052,912	5
					Special reserve	307,492	1	253,675	1
					Unappropriated earnings	5,347,752	18	2,952,758	13
					Total retained earnings	7,003,401	23	4,259,345	19
					Other equity	(538,244)	(2)	(307,491)	(1)
					Treasury shares	(50,999)	-	(50,999)	-
					Total equity	<u>12,800,387</u>	<u>42</u>	<u>10,271,902</u>	<u>45</u>
					<b>TOTAL</b>	<u>\$ 30,172,369</u>	<u>100</u>	<u>\$ 23,036,504</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, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 22 and 31)	\$49,953,689	100	\$41,218,729	100
OPERATING COSTS (Notes 4, 11, 20, 23 and 31)	<u>41,812,113</u>	<u>84</u>	<u>35,510,073</u>	<u>86</u>
GROSS PROFIT	8,141,576	16	5,708,656	14
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Note 4)	<u>101,255</u>	<u>-</u>	<u>(207,747)</u>	<u>(1)</u>
REALIZED GROSS PROFIT	<u>8,242,831</u>	<u>16</u>	<u>5,500,909</u>	<u>13</u>
OPERATING EXPENSES (Notes 4, 10, 20, 23 and 31)				
Selling and marketing	1,245,650	2	1,190,798	3
General and administrative	977,931	2	712,324	1
Research and development	1,414,273	3	1,205,377	3
Expected credit loss	<u>-</u>	<u>-</u>	<u>711</u>	<u>-</u>
Total operating expenses	<u>3,637,854</u>	<u>7</u>	<u>3,109,210</u>	<u>7</u>
OPERATING INCOME	<u>4,604,977</u>	<u>9</u>	<u>2,391,699</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 12, 23 and 31)				
Other income	144,013	-	70,812	-
Other gains and losses	(110,873)	-	19,345	-
Finance costs	(13,213)	-	(2,818)	-
Share of profit of subsidiaries and associates	<u>1,176,626</u>	<u>3</u>	<u>879,601</u>	<u>2</u>
Total non-operating income and expenses	<u>1,196,553</u>	<u>3</u>	<u>966,940</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	5,801,530	12	3,358,639	8
INCOME TAX EXPENSE (Notes 4 and 24)	<u>851,035</u>	<u>2</u>	<u>406,190</u>	<u>1</u>
NET INCOME FOR THE YEAR	<u>4,950,495</u>	<u>10</u>	<u>2,952,449</u>	<u>7</u>

(Continued)

# ACCTON TECHNOLOGY CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	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	\$ (10)	-	\$ (1,945)	-
Unrealized gain on investment in equity instruments at fair value through other comprehensive income	13,913	-	21,804	-
Share of the other comprehensive loss of subsidiaries accounted for using the equity method	(986)	-	(41,878)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>(219,425)</u>	<u>-</u>	<u>(52,279)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(206,508)</u>	<u>-</u>	<u>(74,298)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 4,743,987</u>	<u>10</u>	<u>\$ 2,878,151</u>	<u>7</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 8.91</u>		<u>\$ 5.33</u>	
Diluted	<u>\$ 8.76</u>		<u>\$ 5.23</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, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company									
	Share Capital	Capital Surplus	Retained Earnings			Other Equity			Treasury Shares	Total
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2018	\$ 5,544,949	\$ 776,739	\$ 797,395	\$ 253,675	\$ 2,555,175	\$ (220,904)	\$ (14,223)	\$ -	\$ (50,999)	\$ 9,641,807
Effect of retrospective application and retrospective restatement	-	-	-	-	2,254	-	14,223	(14,234)	-	2,243
BALANCE AT JANUARY 1, 2018 AS RESTATED	5,544,949	776,739	797,395	253,675	2,557,429	(220,904)	-	(14,234)	(50,999)	9,644,050
Other changes in capital surplus										
Cash dividends received by subsidiaries from parent company	-	9,129	-	-	-	-	-	-	-	9,129
Appropriation of 2017 earnings										
Legal reserve	-	-	255,517	-	(255,517)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(2,299,658)	-	-	-	-	(2,299,658)
Net profit for the year ended December 31, 2018	-	-	-	-	2,952,449	-	-	-	-	2,952,449
Other comprehensive loss for the year ended December 31, 2018, net of income tax	-	-	-	-	(1,945)	(52,279)	-	(20,074)	-	(74,298)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	2,950,504	(52,279)	-	(20,074)	-	2,878,151
Share-based payment arrangements	30,950	9,280	-	-	-	-	-	-	-	40,230
BALANCE AT DECEMBER 31, 2018	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, 2018, 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

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



# ACCTON TECHNOLOGY CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 5,801,530	\$ 3,358,639
Adjustments for:		
Depreciation	261,001	110,269
Amortization	27,855	24,058
Expected credit loss	-	711
Net loss on fair value changes of financial assets designated as at fair value through profit or loss	15,295	28,339
Finance costs	13,213	2,818
Interest income	(69,311)	(41,308)
Dividend income	(8,937)	(9,904)
Dividends received from investments accounted for using equity method	501,891	686,467
Share of profit of subsidiaries and associates	(1,176,626)	(879,601)
(Gain) loss on disposal of property, plant and equipment	(806)	21
Loss on disposal of subsidiary	49	3,140
Write-downs of inventories	125,778	-
Unrealized (gain) loss on transactions with subsidiaries	(101,255)	207,747
Unrealized loss (gain) on foreign currency exchange	110,869	(45,380)
Loss on lease modification	231	-
Changes in operating assets and liabilities		
Trade receivables	1,148,715	(1,610,701)
Trade receivables from related parties	(373,633)	(1,368,650)
Other receivables	(4,744)	(27,789)
Other receivables from related parties	209,426	328,126
Inventories	(1,517,625)	(669,256)
Prepayments	(5,929)	(43,594)
Other current assets	(2,557)	(10,018)
Contract liabilities	211,684	117,689
Trade payables	1,846,327	1,220,560
Trade payables to related parties	(288,686)	559,861
Other payables	1,386,399	252,434
Other payables to related parties	(37,665)	72,786
Provisions	(99,172)	140,552
Refund liabilities	(20,190)	(19,725)
Net defined benefit liabilities	(532)	(656)
Cash generated from operations	7,952,595	2,387,635
Interest paid	(13,152)	(2,818)
Income tax paid	(446,081)	(322,492)
Net cash generated from operating activities	<u>7,493,362</u>	<u>2,062,325</u>

(Continued)

# ACCTON TECHNOLOGY CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	\$ (1,041)	\$ -
Proceeds from sale of financial assets at fair value through other comprehensive income	35,857	-
Purchase of financial assets at amortized cost	(4,087,480)	(297,690)
Proceeds from sale of financial assets at amortized cost	-	895,568
Purchase of financial assets at fair value through profit or loss	(2,260,000)	(1,464,000)
Proceeds from sale of financial assets at fair value through profit or loss	1,946,764	1,480,110
Net cash outflow on acquisition of subsidiaries	(35,316)	-
Net cash inflow on disposal of subsidiaries	5	-
Acquisition of property, plant and equipment	(651,528)	(110,939)
Proceeds from disposal of property, plant and equipment	1,029	3,078
Increase in refundable deposits	(11,762)	(4,819)
Acquisition of intangible assets	(44,733)	(22,659)
Proceeds from disposal of intangible assets	-	185
Interest received	56,892	44,907
Dividends received	<u>8,937</u>	<u>9,904</u>
Net cash generated (used in) from investing activities	<u>(5,042,376)</u>	<u>533,645</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	100,000	-
Repayments of short-term borrowings	(100,000)	-
Proceeds from long-term borrowings	1,073,000	-
Repayments of long-term borrowings	(100,000)	-
Guarantee deposits refunded	(10)	(11)
Repayment of the principal portion of lease liabilities	(73,934)	-
Dividends paid to owners of the Company	(2,230,684)	(2,299,658)
Employee share options	<u>6,346</u>	<u>40,230</u>
Net cash used in financing activities	<u>(1,325,282)</u>	<u>(2,259,439)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>		
	<u>(250,999)</u>	<u>61,696</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	874,705	398,227
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>2,507,795</u>	<u>2,109,568</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 3,382,500</u>	<u>\$ 2,507,795</u>

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

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Accton Technology Corporation

### Opinion

We have audited the accompanying consolidated financial statements of Accton Technology Corporation (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Key Audit Matters

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

The key audit matters identified in the Group's consolidated financial statements for the year ended December 31, 2019 are stated as follows:

#### Revenue recognition

For the year ended December 31, 2019, the Group's net operating revenue was NT\$55,401,047 thousand. Refer to Notes 4 and 24 to the consolidated financial statements for detailed information on accounting policies on revenue.

The Group's operating revenue in recent years have significantly impacted the consolidated financial statements for the year ended December 31, 2019. However, sales from some of the Group's customers have grown significantly; therefore, we considered the occurrence of revenue as a key audit matter.

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

1. We understood the internal control design and operating procedures regarding the sales transaction cycle, and we assessed the effectiveness of the internal control operations.
2. We obtained new client's information and inspected whether it was consistent with the system of the customer and was approved by the competent supervisor or not.
3. We selected appropriate samples from sales and inspected whether purchase orders and delivery orders were consistent with invoices or not.
4. We selected appropriate samples from accounts receivable and reviewed whether certificates of remittance and counterparties were consistent with the recorded amounts and counterparties and were approved by the competent supervisor or not.
5. We inspected and analyzed the reasonableness of sales returns and discounts in the subsequent period.

#### **Other Matter**

We have also audited the parent company only financial statements of the Group as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion.

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

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

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

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

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

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

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

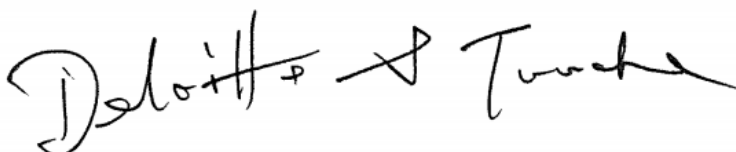
1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 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 audit resulting in this independent auditors' report are Cheng Chih Lin and Yu Feng Huang.

A handwritten signature in black ink that reads "Deloitte & Touche". The signature is stylized and cursive, with the ampersand being particularly prominent.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 19, 2020

Notice to Readers

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

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

ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)

ASSETS	2019		2018		LIABILITIES AND EQUITY	2019		2018	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 6,221,855	21	\$ 4,295,816	19	Contract liabilities - current (Notes 4 and 24)	\$ 592,137	2	\$ 382,014	2
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 32)	315,232	1	4,003	-	Trade payables	9,935,396	34	8,750,557	39
Financial assets at fair value through other comprehensive income - current (Notes 4, 8 and 32)	173,445	1	199,427	1	Bonuses to employees and directors (Note 25)	980,731	3	759,433	3
Financial assets at amortized cost - current (Notes 4, 9 and 32)	4,288,364	14	201,431	1	Payables to machinery and equipment	129,601	1	111,939	-
Notes and trade receivables, net (Notes 4, 5 and 10)	6,968,202	24	7,980,095	35	Other payables (Note 20)	2,587,222	9	1,190,506	5
Trade receivables from related parties (Notes 4, 5 and 33)	2,858	-	5,558	-	Other payables to related parties (Note 33)	2,270	-	3,361	-
Other receivables (Notes 4, 10 and 26)	143,217	-	177,064	1	Current tax liabilities (Notes 4 and 26)	779,000	3	597,451	3
Other receivables from related parties (Notes 4 and 33)	10,558	-	13,680	-	Provisions - current (Notes 4 and 21)	45,966	-	144,565	1
Inventories (Notes 4, 5 and 11)	8,716,933	30	7,814,290	35	Lease liabilities - current (Notes 3, 4, 5 and 15)	129,095	-	-	-
Prepayments (Note 18)	183,710	1	161,725	1	Deferred revenue - current (Notes 19 and 29)	8,317	-	-	-
Other current assets	24,160	-	20,477	-	Refund liabilities - current (Notes 24)	48,113	-	128,430	1
<b>Total current assets</b>	<b>27,048,534</b>	<b>92</b>	<b>20,873,566</b>	<b>93</b>	<b>Total current liabilities</b>	<b>15,237,848</b>	<b>52</b>	<b>12,068,256</b>	<b>54</b>
<b>NON-CURRENT ASSETS</b>					<b>NON-CURRENT LIABILITIES</b>				
Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 32)	186,740	1	174,517	1	Long-term borrowings (Note 19)	920,639	3	-	-
Financial assets at amortized cost (Notes 4, 9 and 32)	30,292	-	56,101	-	Lease liabilities - non-current (Notes 3, 4, 5 and 15)	471,466	2	-	-
Investments accounted for using the equity method (Notes 4 and 13)	14,369	-	16,578	-	Deferred revenue - non-current (Notes 19 and 29)	44,044	-	-	-
Property, plant and equipment (Notes 4 and 14)	1,324,280	5	966,604	5	Net defined benefit liabilities - non-current (Notes 4 and 22)	27,433	-	28,606	-
Right-of-use assets (Notes 3, 4, 5 and 15)	610,721	2	-	-	Guarantee deposits	4,414	-	826	-
Goodwill (Notes 4 and 16)	1,930	-	1,930	-	Other non-current liabilities	12,266	-	2,043	-
Intangible assets (Notes 4 and 17)	53,527	-	34,402	-	<b>Total non-current liabilities</b>	<b>1,480,262</b>	<b>5</b>	<b>31,475</b>	<b>-</b>
Deferred tax assets (Notes 4 and 26)	50,438	-	64,827	-	<b>Total liabilities</b>	<b>16,718,110</b>	<b>57</b>	<b>12,099,731</b>	<b>54</b>
Prepayments for equipment	93,156	-	47,974	-	<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 23 and 28)</b>				
Refundable deposits	45,334	-	49,476	-	Share capital				
Other non-current assets (Notes 18 and 34)	61,766	-	92,352	1	Ordinary shares	5,580,514	19	5,575,899	25
<b>Total non-current assets</b>	<b>2,472,553</b>	<b>8</b>	<b>1,504,761</b>	<b>7</b>	Capital surplus	805,715	3	795,148	3
<b>TOTAL</b>	<b>\$ 29,521,087</b>	<b>100</b>	<b>\$ 22,378,327</b>	<b>100</b>	Retained earnings				
					Legal reserve	1,348,157	4	1,052,912	5
					Special reserve	307,492	1	253,675	1
					Unappropriated earnings	5,347,752	18	2,952,758	13
					Total retained earnings	7,003,401	23	4,259,345	19
					Other equity	(538,244)	(2)	(307,491)	(1)
					Treasury shares	(50,999)	-	(50,999)	-
					<b>Total equity attributable to owners of the Company</b>	<b>12,800,387</b>	<b>43</b>	<b>10,271,902</b>	<b>46</b>
					<b>NON-CONTROLLING INTERESTS (Notes 4 and 23)</b>	<b>2,590</b>	<b>-</b>	<b>6,694</b>	<b>-</b>
					<b>Total equity</b>	<b>12,802,977</b>	<b>43</b>	<b>10,278,596</b>	<b>46</b>
					<b>TOTAL</b>	<b>\$ 29,521,087</b>	<b>100</b>	<b>\$ 22,378,327</b>	<b>100</b>

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

# ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 24 and 33)	\$ 55,401,047	100	\$ 43,092,155	100
OPERATING COSTS (Notes 4, 11, 22 and 25)	<u>44,402,285</u>	<u>80</u>	<u>35,312,058</u>	<u>82</u>
GROSS PROFIT	<u>10,998,762</u>	<u>20</u>	<u>7,780,097</u>	<u>18</u>
OPERATING EXPENSES (Notes 4, 10, 22 and 25)				
Selling and marketing	1,521,790	3	1,305,246	3
General and administrative	1,446,130	3	1,178,782	3
Research and development	1,993,443	3	1,816,186	4
Expected credit (gain) loss	<u>(2,584)</u>	<u>-</u>	<u>7,175</u>	<u>-</u>
Total operating expenses	<u>4,958,779</u>	<u>9</u>	<u>4,307,389</u>	<u>10</u>
OPERATING INCOME	<u>6,039,983</u>	<u>11</u>	<u>3,472,708</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 13, 25 and 33)				
Other income	223,874	-	149,697	1
Other gains and losses	(113,715)	-	80,008	-
Finance costs	(18,288)	-	(2,822)	-
Share of loss of associates	<u>(2,209)</u>	<u>-</u>	<u>(1,852)</u>	<u>-</u>
Total non-operating income and expenses	<u>89,662</u>	<u>-</u>	<u>225,031</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	6,129,645	11	3,697,739	9
INCOME TAX EXPENSE (Notes 4 and 26)	<u>1,180,073</u>	<u>2</u>	<u>745,558</u>	<u>2</u>
NET INCOME FOR THE YEAR	<u>4,949,572</u>	<u>9</u>	<u>2,952,181</u>	<u>7</u>
OTHER COMPREHENSIVE INCOME (Notes 4, 22 and 23)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	539	-	(1,945)	-
Unrealized gain (loss) on investment in equity instruments at fair value through other comprehensive income	12,389	-	(20,074)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>(222,617)</u>	<u>-</u>	<u>(52,091)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(209,689)</u>	<u>-</u>	<u>(74,110)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 4,739,883</u>	<u>9</u>	<u>\$ 2,878,071</u>	<u>7</u>

(Continued)



## ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 4,950,495	9	\$ 2,952,449	7
Non-controlling interests	<u>(923)</u>	<u>-</u>	<u>(268)</u>	<u>-</u>
	<u>\$ 4,949,572</u>	<u>9</u>	<u>\$ 2,952,181</u>	<u>7</u>
TOTAL COMPREHENSIVE INCOME (LOSS)				
ATTRIBUTABLE TO:				
Owners of the Company	\$ 4,743,987	9	\$ 2,878,151	7
Non-controlling interests	<u>(4,104)</u>	<u>-</u>	<u>(80)</u>	<u>-</u>
	<u>\$ 4,739,883</u>	<u>9</u>	<u>\$ 2,878,071</u>	<u>7</u>
EARNINGS PER SHARE (Note 27)				
Basic	<u>\$ 8.91</u>		<u>\$ 5.33</u>	
Diluted	<u>\$ 8.76</u>		<u>\$ 5.23</u>	

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

(Concluded)

**ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company											
	Share Capital	Capital Surplus	Retained Earnings			Exchange Differences on Translating the Financial Statements of Foreign Operations	Other Equity		Treasury Shares	Total	Non-controlling Interests	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
BALANCE AT JANUARY 1, 2018	\$ 5,544,949	\$ 776,739	\$ 797,395	\$ 253,675	\$ 2,555,175	\$ (220,904)	\$ (14,223)	\$ -	\$ (50,999)	\$ 9,641,807	\$ 6,774	\$ 9,648,581
Effect of retrospective application and retrospective restatement	-	-	-	-	2,254	-	14,223	(14,234)	-	2,243	-	2,243
BALANCE AT JANUARY 1, 2018 RESTATED	5,544,949	776,739	797,395	253,675	2,557,429	(220,904)	-	(14,234)	(50,999)	9,644,050	6,774	9,650,824
Other changes in capital surplus												
Cash dividends received by subsidiaries from parent company	-	9,129	-	-	-	-	-	-	-	9,129	-	9,129
Appropriation of 2017 earnings												
Legal reserve	-	-	255,517	-	(255,517)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	(2,299,658)	-	-	-	-	(2,299,658)	-	(2,299,658)
Net profit (loss) for the year ended December 31, 2018	-	-	-	-	2,952,449	-	-	-	-	2,952,449	(268)	2,952,181
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	(1,945)	(52,279)	-	(20,074)	-	(74,298)	188	(74,110)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	2,950,504	(52,279)	-	(20,074)	-	2,878,151	(80)	2,878,071
Share-based payment arrangements	30,950	9,280	-	-	-	-	-	-	-	40,230	-	40,230
BALANCE AT DECEMBER 31, 2018	5,575,899	795,148	1,052,912	253,675	2,952,758	(273,183)	-	(34,308)	(50,999)	10,271,902	6,694	10,278,596
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	23,717	-	-	(23,717)	-	-	-	-
Other changes in capital surplus												
Cash dividends received by subsidiaries from parent company	-	8,836	-	-	-	-	-	-	-	8,836	-	8,836
Appropriation of 2018 earnings												
Legal reserve	-	-	295,245	-	(295,245)	-	-	-	-	-	-	-
Special reserve	-	-	-	53,817	(53,817)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(2,230,684)	-	-	-	-	(2,230,684)	-	(2,230,684)
Net profit (loss) for the year ended December 31, 2019	-	-	-	-	4,950,495	-	-	-	-	4,950,495	(923)	4,949,572
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	528	(219,425)	-	12,389	-	(206,508)	(3,181)	(209,689)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	4,951,023	(219,425)	-	12,389	-	4,743,987	(4,104)	4,739,883
Share-based payment arrangements	4,615	1,731	-	-	-	-	-	-	-	6,346	-	6,346
BALANCE AT DECEMBER 31, 2019	\$ 5,580,514	\$ 805,715	\$ 1,348,157	\$ 307,492	\$ 5,347,752	\$ (492,608)	\$ -	\$ (45,636)	\$ (50,999)	\$ 12,800,387	\$ 2,590	\$ 12,802,977

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

# ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 6,129,645	\$ 3,697,739
Adjustments for:		
Depreciation	508,342	266,499
Amortization	30,980	26,979
Expected credit (gain) loss	(2,584)	7,175
Net loss on fair value changes of financial assets designated as at fair value through profit or loss	19,529	58,510
Finance costs	18,288	2,822
Interest income	(99,913)	(69,916)
Dividend income	(8,937)	(9,904)
Share of loss of associates	2,209	1,852
(Gain) loss on disposal of property, plant and equipment	(436)	665
(Gain) loss on disposal of subsidiaries	(3,337)	3,140
Write-downs of inventories	28,819	53,909
Unrealized loss (gain) on foreign currency exchange	11,749	(124,062)
Loss on lease modification	231	-
Changes in operating assets and liabilities		
Notes and trade receivables	931,985	(1,856,114)
Trade receivables from related parties	2,729	(5,531)
Other receivables	46,130	(62,219)
Other receivables from related parties	3,122	2,493
Inventories	(931,462)	(2,089,386)
Prepayments	(22,747)	(12,835)
Other current assets	(3,683)	40,468
Contract liabilities	210,123	135,073
Trade payables	1,293,711	2,427,447
Other payables	1,629,723	321,849
Other payables to related parties	(1,091)	3,361
Provisions	(98,575)	135,882
Refund liabilities	(80,317)	(40,341)
Net defined benefit liabilities	(634)	(785)
Cash generated from operations	9,613,599	2,914,770
Interest paid	(18,227)	(2,822)
Income tax paid	(984,135)	(857,093)
Net cash generated from operating activities	<u>8,611,237</u>	<u>2,054,855</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	(1,041)	-
Proceeds from sale of financial assets at fair value through other comprehensive income	35,857	-
Purchase of financial assets at amortized cost	(4,454,449)	(407,621)
Proceeds from sale of financial assets at amortized cost	392,904	1,251,374

(Continued)

# ACCTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
Purchase of financial assets at fair value through profit or loss	\$ (2,749,929)	\$ (1,507,599)
Proceeds from sale of financial assets at fair value through profit or loss	2,434,334	1,477,641
Increase in prepayments for investment	-	(27,386)
Net cash outflow on disposal of subsidiaries	(45)	-
Acquisition of property, plant and equipment	(779,197)	(346,071)
Proceeds from disposal of property, plant and equipment	3,350	3,307
Decrease (increase) in refundable deposits	3,896	(19,831)
Acquisition of intangible assets	(50,261)	(24,900)
Proceeds from disposal of intangible assets	82	-
Decrease (increase) in other financial assets	4,556	(8,536)
Interest received	87,821	73,816
Dividends received	<u>8,937</u>	<u>9,904</u>
Net cash generated (used in) from investing activities	<u>(5,063,185)</u>	<u>474,098</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	100,000	-
Repayments of short-term borrowings	(100,000)	-
Proceeds from long-term borrowings	1,073,000	-
Repayments of long-term borrowings	(100,000)	-
Decrease (increase) in guarantee deposits	3,658	(14)
Repayments of the principal portion of lease liabilities	(145,216)	-
Dividends paid to owners of the Company	(2,221,848)	(2,290,529)
Employee share options	<u>6,346</u>	<u>40,230</u>
Net cash used in financing activities	<u>(1,384,060)</u>	<u>(2,250,313)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>		
	<u>(237,953)</u>	<u>73,072</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,926,039	351,712
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>4,295,816</u>	<u>3,944,104</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 6,221,855</u>	<u>\$ 4,295,816</u>

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

(Concluded)