

Stock Code: 3363



上詮光纖通信股份有限公司

FOCI Fiber Optic Communications, Inc.

## 2022 Annual Report

Printed on 1 April 2023

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This English 2022 Annual Report is translated from the Chinese version. It is intended for reference only. The Company hereby disclaims any all liabilities for the translation. The Chinese Annual Report shall govern any and all matters related to the interpretation of the subject matter stated herein.

### **1. Company spokesperson**

Name: Shy-jge Wang

Job title: VP

Tel: (03)577-0099

Email: ir@mailsrv.foci.com.tw

Spokesperson substitute

Name: Ya-fang Yu

Job title: Dept. director

Tel: (03)577-0099

Email: ir@mailsrv.foci.com.tw

### **2. Company and factory addresses and phone numbers**

HQs and Hsinchu Factory

Address: No. 18, Zhanye 2nd Rd., East Dist. (Hsinchu Science Park), Hsinchu City

Tel: 03-577-0099

Miaoli Factory

Tel: 037-226530

Address: No. 1-1, Zhongping, Zhongping Village, Tongluo Township, Miaoli County

### **3. Organization for stock transfer**

Name: Stock Agency, Taishin Securities Co., Ltd.

Address: B1, No. 96, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City

Tel: (02)2504-8125

Website: <https://www.tssco.com.tw/>

### **4. CPA approving the latest annual financial statement**

CPA office name: PwC Taiwan

Accounts' names: Ya-hui Cheng and Tien-Yi Li

Address: 27F., No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City

Tel: (02)2729-6666

Website: <http://www.pwc.tw>

**5. The name of any exchanges where the company's securities are traded offshore, and the method by which to access information on said offshore securities: none**

**6. Company website: <http://www.FOCL.com.tw>**

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## **I. A report to the shareholders**

Ladies and gentlemen, dear shareholders,

All trades of business have been subject to tremendous stresses and impacts due to geopolitical turmoil around the world and meandering COVID-19, particularly the Omicron, for nearly three years. Every part of business operations, from production control, material supplies to logistics, is challenged by global pandemic control efforts. Thanks to the flexible responsiveness and outstanding cohesion of our business team, we managed to overcome border lockdown and logistic difficulties through meticulous resource allocation at all production facilities, and drive business development layout forward with stern determination. With this opportunity, I would like to report to you FOCI's business results in 2021 and business plan for 2023.

FOCI's consolidated revenues for 2022 were NT\$ 1,620,659,000. The consolidated net income after tax was NT\$ 47,021,000. The profit margin was 2.9% with EPS of NT\$ 0.53. The ROA was 2.23% and ROE 2.76 %.

In addition, in terms of FOCI's financial income and expenses, the net cash inflow from consolidated operating activities in 2022 was NT\$216,063,000, the net cash outflow from investment activities was NT\$262,868,000, and the net cash outflow from financing activities was NT\$6,693,000; in terms of profitability analysis, FOCI's operating income decreased by about 18% in 2022 compared with the previous year, and the operating gross profit margin was 18.3%, a decrease of about 4.5% also compared to the previous year. FOCI did not disclose the financial forecast for 2022. There is no budget achievement.

The pressure of inventory reduction from customers to reduce inventory slowed down the business development in the second half of 2022 and business growth was not as expected. However, that did not stop us moving forward, as we worked very hard to develop new customers and new application markets. In addition to expanding existing customer cooperation projects, the goal for 2023 is to continue to develop key customers, develop advanced packaging, and establish subsequent mass production orders through strategic cooperation with customers, and increase efforts to invest in data center and consumer electronics market development. We will strengthen the design and development and CPO product production capacity of the Taiwan headquarters, and continue to strengthen product and technology development and expand production lines, and invest in

production and R&D equipment to meet the needs of corporate growth in 2023. FOCI will also continue to develop international customers and conduct business and technical exchanges. We will also continue to improve our own capabilities, including professional certification of products and production lines, and participate in joint research and development with customers, thus maintaining a stable order scale, stabilizing production resources and fulfilling the goal of maximized production efficiency. In addition, we continue to invest in the development of automation equipment and the establishment of smart manufacturing to achieve a flexible production combination plan.

In CPO (Co-Packaged Optics) optical connector technology and component layout, FOCI's efforts in the development of new products for CPO applications have paid off. FOCI is maintaining the technical leading position in FA products, and launches ReLFACon™ (Reflowable Lensed Fiber Array Connector) products for Optical Switch, HPC, AI, ML, Lidar and sensors. They meet the process environment needs for standard semiconductor packaging, which provides a complete solution for CPO.

FOCI is committed to promoting the sustainable development of ESG enterprises. We not only focus on corporate issues such as the operation and performance of the board of directors, risks, and business ethics in corporate governance, labor rights and employees' physical and mental care related to corporate social responsibility, but also listen to what they have to say and keep creating a better working environment. FOCI will go through the ISO14064-1 greenhouse gas inventory plan and verification this year, establish rules for greenhouse gas inventory management and become certified for ISO14001 environmental management system. As an important corporate role, FOCI is more active in participating in public welfare activities of social welfare groups, and working together to create an important part of sustainable, low-carbon and willing to give back to social welfare.

Under the full preparation and careful planning, FOCI will do its best to maintain every growth momentum, strengthen its technological advantages and stabilize its market position, and become a global leading optical communication manufacturer, moving towards a benchmark enterprise of sustainable operation. Thanks again to all shareholders for the supports.

Thank you, shareholders, and wish you all the best.

Song-fure Lin, Chairman

## II. Company Profile

1. FOCI was founded on 14 June 1995.

2. Company history:

### 1995

- Jan • Preparatory office established
- Jun • Company license acquired and opened for business with a capital of NT\$ 79,130,000

### 1996

- Apr • Awarded the innovative R&D grant by Hsinchu Science Park Administration for the “optical circulator”
- Jun • Certified for SGS Yarsley ICS. ISO9001 quality assurance system
- Jul • Groundbreaking ceremony for new factory
- Sep • Awarded the innovative R&D grant by Hsinchu Science Park Administration for the “optical fiber gating”

### 1997

- Mar • Successful fund raising of NT\$ 350 million

### 1998

- Feb • Awarded the innovative R&D grant by Hsinchu Science Park Administration for the “all-fiber dense-wavelength multiplexor”
- Groundbreaking ceremony for Shanghai FOCI factory

### 1999

- Jan • Company recognized by Ministry of Economic Affairs for the “7th National Industrial Innovation Award” and “1998 Taiwan SME Innovation Award”
- Oct • Awarded the innovative R&D grant by Hsinchu Science Park Administration for the “R&D project for dense-wavelength multiplexor manufacturing techniques”

### 2002

- Mar • The 16-channel dense-wavelength multiplexor won the 2002 OFC “Excellent Product Award”
- Aug • FOCI Taiwan certified for ISO9001-2000

### 2003

- May • The “140nm-bandwidth optical circulator” recognized by the Photonics Industry & Technology Development Association for the 6th Excellent Optoelectronics Award
- Jun • Awarded the innovative R&D grant by Hsinchu Science Park Administration for the “SiOB WDM”

- Oct •IPO approved by Securities and Futures Institute
- 2004**
- Mar •Certified for SGS ISO-14001 environmental management system
- Sep •Trading in emerging stock market approved
- Nov • Awarded the innovative R&D grant by Hsinchu Science Park Administration for the “affordable 2×2 photo-switch”
- 2005**
- Apr • SiOB WDM recognized by the Photonics Industry & Technology Development Association for the 6th Excellent Optoelectronics Award
- 2006**
- May •Shanghai lab certified for NEBS FOC ITL
- 2007**
- Oct •High-density MPO production line started operating and product approval secured from important clients  
•2xN PLC splitter mass production initiated
- Nov •Micro-optics production expanded and full-plastic production process introduced for mass production
- 2008**
- Feb •FOCI Shanghai certified for IECQ HSPM QC080000 (hazardous substance process management system)
- Mar •Development completed and mass production initiated for 8CH Mini-CWDM and reflective WDM
- Apr • Shanghai lab certified for ISO/IEC 17025:2005 lab certification
- Sep • Shanghai lab certified for test capability required by GR-1435 Scope Extension of FOC ITL
- 2009**
- Apr •Awarded the grant of National Science Council’s Pursuit for Excellence Project for the “development of high-speed optical fiber converging I/O interface module combining micro-optical lens array”
- Oct •Successful demonstration of Light peak cables in Intel IDF 2009
- 2010**
- Mar •PLC planar waveguide splitter certified by TLC lab in China  
• Awarded the innovative R&D grant by Hsinchu Science Park Administration for the “development of key Light Peak components”
- 2011**
- Feb •OTC trading approved

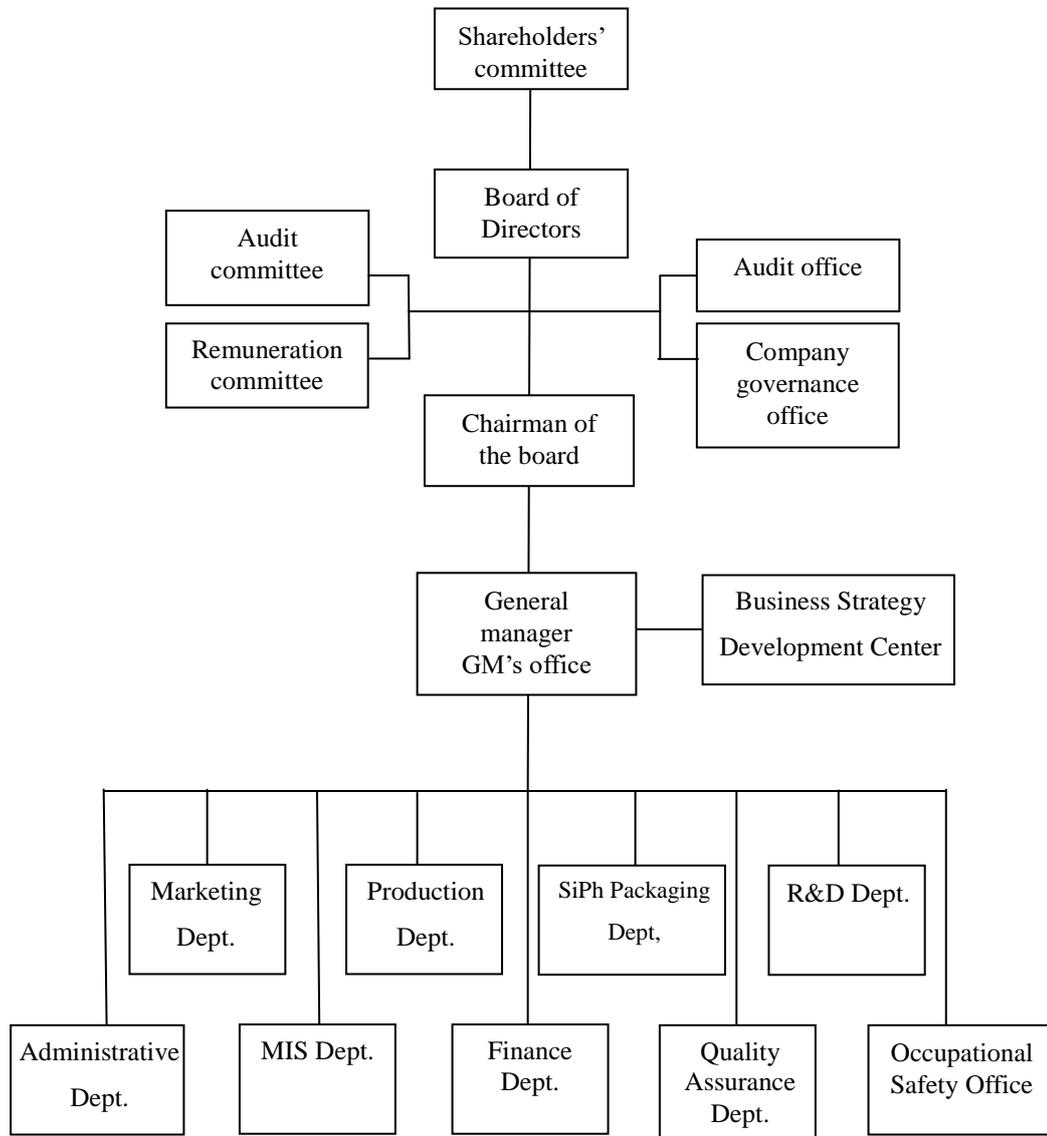
- Mar •Successful demonstration of active optical cables (AOCs) in CeBit in Germany and OFC in the US
- Sep •Recognized by Fujitsu for outstanding quality and delivery ratings
- Dec •Mass production and delivery of of Light peak splicers initiated
- 2012**
- Aug •FOCI Shanghai branch as Yingtan established
- Oct •Awarded for SBIR grant for the “development of USB 3.0 high-speed optical converging transmission products”
- Nov •FOCI Communications Jiangxi established
- 2013**
- May •Certified by Taiwan Corporate Governance Association for CG6008 corporate governance system
- Jun •Awarded for R&D grant of the excel industrial-academic cooperation project by Hsinchu Science Park Administration for the “mixed visible light communications / AOCs transmission system”
- Dec •Cleanroom facility and USB3.0 AOC production line on line for production at FOCI Building
- 2014**
- Feb •SFP+AOC mass production and product launch
- Nov •New factory opened for business at Yingtan, Jiangxi
- 2015**
- Sep •New factory established for FOCI Shanghai branch at Zhongshan
- 2016**
- Aug •FOCI Zhongshan established
- Sep •Production lines expanded at Hsinchu Facility to meet the rising demands of clients
- Dec •Mass production AOCs for A/V applications initiated
- 2017**
- Mar •Advanced Packaging Division (APD) established for PISA production
- 2018**
- Nov •Optical fiber array mass production line established at Zhongshan Facility
- 2019**
- Aug •Hsinchu Facility certified for TL-9000
- Sep •Hsinchu Facility certified by a third-party lab for Telcordia GR-326-CORE for products and production lines
- 2020**
- Mar • Hsinchu Facility certified for VZ and TPR 9409

- Apr •Stage 2 production line expansion initiated at Miaoli Facility
- 2021**
- Jun • “Packaged construction of optical fibers and gating couplers” awarded new type patent in Taiwan
- Nov • “Diverged shell for optical fiber connectors” awarded new design patent in the US
- Dec • Honored by Chunghwa Telecom as a sustainable partner with the “Gold Certificate”
- 2022**
- Mar • New optical USB4 transmission cable launched by joining force with strategic partners
- Dec • Awarded the grant of rising science park technical application project by NSTC for the project of “5G NR 3D levitation demonstration system built on optical exchange of 100G LR4data center”

### III. Corporate Governance Report

#### 1. Organization system

##### (1) Organization system



(2) Departments and their tasks

DEPARTMENT	JOB DESCRIPTION
GM'S OFFICE	<ul style="list-style-type: none"> <li>(1) Oversees resolutions made in the management level review meetings and examines the management level reviews;</li> <li>(2) In charge of review, signing of and follow-up on contracts;</li> <li>(3) Helps GM with promoting and carrying out business tasks;</li> <li>(4) Evaluates and reviews FOICI's quality and business performance;</li> <li>(5) In charge of daily operation management for the corporate group, including integration and coordination of production resources, supply chain and management and coordination of contractors and subcontractors;</li> <li>(6) In charge of daily business planning, management, and implementation of subsidiary companies; and</li> <li>(7) Introduces mature products developed in Taiwan to global subsidiaries.</li> </ul>
AUDIT OFFICE	<ul style="list-style-type: none"> <li>(1) Audits the balance of finance, sales, and accounting, and produces audit reports as scheduled and from time to time;</li> <li>(2) Keeps a track on the internal control implementation procedures and assesses the results of individual departments in implementing internal controls periodically; and</li> <li>(3) In charge of revision of internal control system documentation and improvement performance of internal auditing management.</li> </ul>
MARKETING DEPT.	<ul style="list-style-type: none"> <li>(1) Domestic and international sales and marketing activities;</li> <li>(2) Market and client development for new technical products and application;</li> <li>(3) Sales management and sales management system implementation;</li> <li>(4) Sales planning, expansion, and management, and client communication and service; and</li> <li>(5) Order / contract documents for domestic and international sales, and production and management of records.</li> </ul>
MIS DEPT.	<ul style="list-style-type: none"> <li>(1) Develops and maintains PMS software and supports the development of software requested by individual department;</li> <li>(2) Maintains hardware, software, interfacing equipment, and information security for FOICI's information network system; and</li> <li>(3) In charge of FOICI's overall information system planning and management.</li> </ul>
FINANCE DEPT.	<ul style="list-style-type: none"> <li>(1) General book keeping, including general accounting and cost accounting;</li> <li>(2) Production and Issuance of financial statements;</li> </ul>

	<p>(3) Determination and declaration of profit-seeking enterprise income tax, business tax, stamp tax, and other taxes;</p> <p>(4) Bank deposits and loans, and capital movements; and</p> <p>(5) Cashier tasks and transactions with banks.</p>
BUSINESS STRATEGY DEVELOPMENT CENTER	<p>(1) Helps management level with strategy development;</p> <p>(2) In charge of the development, and maintenance of company systems, as well as contract management; and</p> <p>(3) Development, promotion, and management of plans.</p>
QUALITY ASSURANCE DEPT.	<p>(1) Establishes quality systems and inspection procedures that meet the quality system;</p> <p>(2) In charge of planning and implementation of tests or inspections on incoming materials, outgoing shipments, and environment tests;</p> <p>(3) Quality feedbacks to and quality control and assessment on suppliers;</p> <p>(4) Quality evaluation and tracking on products and materials, and data analysis, statistics, and improvement activities; and</p> <p>(5) Planning, implementation and review of FOCI's quality and reliability affairs, establishment of quality assurance organization and system, and quality-related training.</p>
R&D DEPT.	<p>(1) Product study and development;</p> <p>(2) Production and management of design development projects, process development, design technical data, test reports, and other documents and records;</p> <p>(3) Assistance in improving product manufacturing processes; and</p> <p>(4) First article and pilot production tests for special product orders or contracts.</p>
SIPH PACKAGING DEPT.	<p>(1) Develops SiPh component packages and products, and CPO products;</p> <p>(2) Production and management of design development projects, process development, design technical data, test reports, and other documents and records;</p> <p>(3) Assistance in improving product manufacturing processes; and</p> <p>(4) Pilot production tests for special product orders or contracts.</p>
PRODUCTION DEPT.	<p>(1) Planning, implementation, and management of production lines needed for products to fill orders/contracts;</p> <p>(2) Implementation, improvement, and upgrade of process operation procedures;</p> <p>(3) Checks and tests at every stage of product, and nonconformity management; and</p> <p>(4) Production equipment maintenance and servicing.</p> <p>(5) New production line recruit training and on-the-job training.</p>

ADMINISTRATIVE DEPT.	<ul style="list-style-type: none"> <li>(1) Procurement of raw materials, machines, instruments, equipment, and office supplies;</li> <li>(2) Subcontractor/supplier assessment and data management;</li> <li>(3) Product handling, storage, packing and delivery;</li> <li>(4) Factory management and general management needed for business operations;</li> <li>(5) Management of equipment, raw materials, finished products and associated supplies;</li> <li>(6) Worker recruitment, employment, and performance evaluation; and</li> <li>(7) Assistance for department heads in workers' training.</li> </ul>
OCCUPATIONAL SAFETY OFFICE	<ul style="list-style-type: none"> <li>(1) Development, planning, promotion, and supervision of all matters related to occupational safety, and establishment of occupational safety and health management system;</li> <li>(2) Periodical meetings of occupational safety and health committee; and</li> <li>(3) Planning and implementation of occupational health improvement.</li> </ul>

**2. Information on the company's directors, supervisors, general manager, assistant general managers, deputy assistant general managers, and the chiefs of all the company's divisions and branch units**

(1) Board directors

1. Information of board directors

1 Apr 2023; in shares

Job title	Nationality or country of registration	Name	Gender and age	Date of election / employment	Term, years	Date of first election	Shareholdings on election		Current shareholdings		Shareholdings by spouse and/or minor children		Shareholdings in others' names		Experience / education background	Current position in FOICI and other companies	Other management position, board director or supervisor who is the spouse or relative within second degree of kinship of another			Remark
							No. of shares	% of shares	No. of shares	% of shares	No. of shares	% of shares	No. of shares	% of shares			No. of shares	% of shares	Job title	
Chairman of the board	ROC	Song-fure Lin	M 61~70	2021.7.5	3	2002.11.11	4,122,367	4.73	4,743,367	5.37	0	0	113,000	0.13	M. Physics, Fu-Jen Univ., Chairman /GM/R&D VP of FOICI, Head of component section, Dept. of Optical fiber Technologies, ITRI EOSL	Note 1	None	None	None	None
Board director	ROC	Lee-chiou Chang	M 71~80	2021.7.5	3	2015.4.30	800,000	0.92	800,000	0.91	0	0	0	0	M. Insurance, National Chengchi Univ.; Chairman of Yuanta Financial Holdings; GM, Yuanta-Jinghua Securities; GM, Tahwa Securities; auditor/dept. head/specialist/deputy section management / section manager, Financial Supervisory Committee; auditor/assistant auditor, auditing division, National Taxation Bureau of Taipei	Note 1	None	None	None	None
Board director	Br. Virgin Islands	Beolym Corp.	-	2021.7.5	3	2018.6.6	2,268,000	2.60	2,268,000	2.57	0	0	0	0	None	Note 1	None	None	None	None

	ROC	Legal representative Hsin-tse Tsai	M 41~50	2021.7.5	3	-	0	0	0	0	0	0	0	0	M. Photo-electronics, National Sun Yat-sen Univ.; product/operation manager, Browave; assistant manager, Young Lighting	Note 1	None	None	None	None
Board director	ROC	Ting-ta Hu	M 51~60	2021.7.5	3	2021.7.5	0	0	462,000	0.52	0	0	0	0	M. Electrical Engineering, National Taiwan Univ.; special assistant, Centera Photonics; vice GM, Himax Tech.; vice GM, Xintec; dept. manager, TSMC	Note 1	None	None	None	None
Independent director	ROC	Mei-huei Li	F 61~70	2021.7.5	3	2018.6.6	0	0	0	0	0	0	0	0	M. Politics, National Taiwan Univ.; chairman, Zhong Bao Insurance Service; CEO, Unique Broadcasting Inc.; editor-in-chief, Business Weekly; adjunct prof., National chi Nan Univ.	Note 1	None	None	None	None
Independent director	ROC	Li-jen Kuo	F 51~60	2021.7.5	3	2020.5.28	0	0	0	0	0	0	0	0	PhD in Law, Ruhr-Universität Bochum; associate prof., Soochow Uni.v., School of Law; prof., Dept. of Law and Graduate Institute of Technical Laws, National Cheng Kung Univ.; member of remuneration committee, PBF Biotech	Note 1	None	None	None	None
Independent director	ROC	Tzu-ming Wang	M 61~70	2021.7.5	3	2021.7.5	0	0	0	0	0	0	0	0	B. Dept. of Public Finance, Feng Chia Univ.; board director, Mega Funds; director-general, National Taxation Bureau of Taipei	Note 1	None	None	None	None

Note 1: The positions held by FOCI's directors of the board in FOCI and other companies currently are listed in the table below.

Note 2: Information where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as additional independent directors, or more than half of the directors who are not an FOCI's employee or manager): none in FOCI

Job title	Name	Current position(s) in FOCI and other companies
Chairman of the board	Song-fure Lin	Board chairman, FOCI Shanghai; board chairman, FOCI Jiangxi; board chairman, Shang Cheng Investment Co., Ltd.
Board director	Lee-chiou Chang	CEO, Sun Ten Pharmaceutical Co., Ltd.; board chairman, Bowlin Biotech Corp. (USA); board chairman Panion & BF Biotech Inc.; board chairman, Herbiotek; board chairman, Shun Tian International Investment Consulting, board chairman, Cheng Fong Chemical Co., Ltd.; board chairman, Ho Tung Chemical Corp.; board chairman, YH Bio Co., Ltd.; board director, TriKnight Capital Corp.; board director, Formosan Union Chemical Corp.; independent director / audit committee member / remuneration committee member, ACME Electronics; independent director / audit committee member / remuneration committee member, T3EX Global Holdings Corp.
Board director	Beolym Corp.; legal representative  Hsin-tse Tsai	Division director, Taiwan Mask Corp.
Board director	Ting-ta Hu	GM, FOCI; legal representative for board director, BKSTEC Corp.
Independent director	Mei-huei Li	Board chairlady, Shansui Crisis Management Co., Ltd.; independent director / audit committee member / remuneration committee member, CTCI ASI; board chairman, Innova Vision Inc.; representative of institutional shareholder, Advagene Biopharma Co., Ltd.
Independent director	Li-jen Kuo	Prof., Dept. of Educational Management, National Taipei University of Education
Independent director	Tzu-ming Wang	None

2. Major shareholder(s) in institutional shareholders for directors and supervisors acting as the representatives of institutional shareholders:

1 Apr 2023

Name of institutional shareholder	Major shareholder(s) in institutional shareholders	Holding percentage
Beolym Corp.	Kuo-Ching Wu	100%

3. Major shareholder(s) as legal person(s): none

4. Disclosure of professional qualifications of board directors and independence information of independent directors

Conditions Name	Professional qualification and experience	Status of independence (note 1)	No. of listed companies where he/she acts as an independent director
Chairman Song-fure Lin	<ol style="list-style-type: none"> <li>1. 5 years or more of work experience needed for company business: yes</li> <li>2. Current positions are board chairman, FOCI Shanghai; board chairman, FOCI Jiangxi; board chairman, Shang Cheng Investment Co., Ltd.</li> <li>3. Circumstances listed in Article 30 of the Company Act: none</li> </ol>	Not applicable	None

Board director Lee-chiou Chang	<ol style="list-style-type: none"> <li>1. 5 years or more of work experience needed for company business: yes</li> <li>2. Current positions are CEO, Sun Ten Pharmaceutical Co., Ltd.; board chairman, Bowlin Biotech Corp. (USA); board chairman Panion &amp;BF Biotech Inc.; board chairman, Herbiotek; board chairman, Shun Tian International Investment Consulting, board chairman, Cheng Fong Chemical Co., Ltd.; board chairman, Ho Tung Chemical Corp.; board chairman, YH Bio Co., Ltd.; board director, TriKnight Capital Corp.; board director, Formosan Union Chemical Corp.; independent director / audit committee member / remuneration committee member, ACME Electronics; independent director / audit committee member / remuneration committee member, T3EX Global Holdings Corp.</li> <li>3. Circumstances listed in Article 30 of the Company Act: none</li> </ol>	Not applicable	2
Legal representative Beolym Corp. Hsin-tse Tsai	<ol style="list-style-type: none"> <li>1. 5 years or more of work experience needed for company business: yes</li> <li>2. Current position is division director, Taiwan Mask Corp.</li> <li>3. Circumstances listed in Article 30 of the Company Act: none</li> </ol>	Not applicable	None
Board director Ting-ta Hu	<ol style="list-style-type: none"> <li>1. 5 years or more of work experience needed for company business: yes</li> <li>2. Current position is GM, FOCl.</li> <li>3. Circumstances listed in Article 30 of the Company Act: none</li> </ol>	Not applicable	None

Independent director Mei-huei Li	<ol style="list-style-type: none"> <li>1. 5 years or more of work experience needed for company business: yes</li> <li>2. Current positions are Board chairlady, Shansui Crisis Management Co., Ltd.; independent director / auditor / remuneration committee member, CTCI ASI; board chairman, Innova Vision Inc.; and representative of institutional shareholder, Advagene Biopharma Co., Ltd.</li> <li>3. Circumstances listed in Article 30 of the Company Act: none</li> </ol>	Compliant	1
Independent director Li-jen Kuo	<ol style="list-style-type: none"> <li>1. 5 years or more of work experience needed for company business: yes</li> <li>2. Current position is Prof., Dept. of Educational Management, National Taipei University of Education</li> <li>3. Circumstances listed in Article 30 of the Company Act: none</li> </ol>	Compliant	None
Independent director Tzu-ming Wang	<ol style="list-style-type: none"> <li>1. 5 years or more of work experience needed for company business: yes</li> <li>2. Major experiences are Board director, Mega Funds; director-general, National Taxation Bureau of Taipei</li> <li>3. Circumstances listed in Article 30 of the Company Act: none</li> </ol>	Compliant	None

Note 1: the state of independence includes, but not limited to, whether the director, his/her spouse, or any relative within second degree of kinship is a board director, supervisor or employee of FOCI or its affiliated company; number and percentage of FOCI's shares held by the director, his/her spouse, or any relative within second degree of kinship, or in the name of other person(s); whether the director is a board director, supervisor or employee of a company engaged in special relationship with FOCI (see Subparagraphs 5 through 8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); and the amount of payment paid in the most recent 2 years for providing FOCI or any of its affiliated companies service in commercial, legal, financial and/or accounting service.

## 5. Diversity and independence of the board of directors

### (1) Board diversity:

The FOCI's "Guidelines for Company Governance Practice" specifies that the member diversity shall be taken into consideration in the establishment of board of director. While no more than a third of board directors shall work for FOCI at the management level, appropriate diversity guidelines shall be established in terms of company's business operations, business models and development needs, and include, but not limited to, the following:

1. Basic conditions and values: gender, age, nationality, and culture; and
2. Professional knowledge and skills: professional background in, for example, law, accounting, industry, finance, marketing or technology, professional skills, and industrial experience.

All board members are expected to have the general knowledge, skills, and literacy to perform their tasks, including the ability of business judgment, ability of accounting and financial analysis, ability of business operation management, crisis management ability, industrial knowledge, international vision of the markets, leadership, and decision-making ability.

The implementation of the diversity in theboard of directors is described as follows:

Diversity cores  Name	Basic composition							Prof. background			Prof. knowledge and skills										
	Nationality	Gender	Employee?	Age (years)				Seniority as an independent director		Legal	Finance or accounting	Industry	Marketing or technology	Ability of business judgment	Ability of accounting and financial analysis	Ability of business operation management	Crisis management ability	Industrial knowledge	International vision of the markets	Leadership	decision-making ability
				41-50	51-60	61-70	71-80	< 3 years	> 3 years												
Song-fure Lin	RO C	M			✓						✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Lee-chiou Chang		M				✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Legal representative Beolym Corp.: Hsin-tse Tsai		M	✓								✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ting-ta Hu		M	✓		✓						✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mei-huei Li		F				✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Li-jen Kuo		F			✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Tzu-ming Wang		M				✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

FOCI's board of directors currently consists of 7 directors, with the following substantial management goals and achievement for the diversity policy:

The management goal set up for FOCI's board of directors diversity policy and its achievement are described as follows:

FOCI's current board of directors is composed of 7 directors, including 3 independent directors and 4 non-independent directors, all of whom are industrial and academic experts. Less than 1/3 of the directors serve concurrently as company managers. FOCI pays attention to gender equality in the composition of board members, and aims to increase the number of female directors to more than one-third (i.e., 33%). At present, 71% or 5 of the board directors are male, and 29% or 2 are female. We will try our best to increase the number of female directors to achieve the goal.

(2) Independence of board of directors: FOCI's board of directors currently has 7 members, including 4 board directors and 3 independent directors. 14% of the directors are FOCI's employees, and 43% of the directors are independent. For the seniority as independent directors, one has been an independent director for more than 3 years and two less than 3 years. Their eligibility as board director complies with the specifications for independent directors set forth by the Securities and Futures Bureau, Financial Supervisory Committee, and none of the circumstances specified in Paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act is observed between board directors and independent directors. Therefore, FOCI's board of directors has its independence (see page 13, board directors' professional qualification and disclosure of independent directors' independence information, of the Report). For the education backgrounds, experiences, genders, and worker experiences, see page 11, Information of board directors, of the Report.

(2) Information of GM, VPs, operation managers, department and branch heads

1 Apr 2023

Job title	Nationality	Name	Gender	Date of employment	Shareholdings		Shares held by spouse, and/or minor children		Shares held in others' names		Education background / experiences	Current position(s)	Other management position who is the spouse or relative within second degree of kinship of another			Remark Note 5
					No. of shares	Holding %	No. of shares	Holding %	No. of shares	Holding %			Job title	Name	Relationship	
GM	ROC	Ting-ta Hu	M	2021.2.26	462,000	0.52	0	0	0	0	M. Electrical Engineering, National Taiwan Univ.; special assistant, Centera Photonics; vice GM, Himax Tech.; vice GM, Xintec; dept. manager, TSMC	Legal representative for board director, BKSTEC Corp.	None	None	None	None
GM of FOCI Shanghai and Zhongshan	ROC	Chun-ying Kung	F	2001.6.1	728,065	0.82	0	0	0	0	M. Physics, Chung Yuan Univ.; FOCI General Manager/ Business Department, VP/ Production Department, VP; Engineer, ITRI Optoelectronics Optical Fiber Technology Department	Board director and GM of FOCI Shanghai; board director and GM of FOCI Zhongshan; board director and GM of FOCI Jiangxi	None	None	None	None
VP	ROC	Ching-wei Wei	M	2016.5.3	153,000	0.17	5,000	0.01	0	0	M. Physics, Chung Yuan Univ	None	None	None	None	None
VP	ROC	Shy-jge Wang	M	2010.7.1	82,150	0.09	0	0	0	0	MBA, National Central Univ.; VP, FOCI Business Strategy Development Center; director, director of dept. of business management	None	None	None	None	None
Sr. director	ROC	Shi-Hsiung Chu	M	2018.12.26	92,500	0.10	0	0	0	0	M. Electric Engineering, ITRI; VP, FOCI MIS	None	None	None	None	None
Director	ROC	Ya-fang Yu (note 3)	F	2022.11.3	66,000	0.07	0	0	0	0	School of Law, Soochow Univ. (on-the-job training); graduate study, Dept. of Finance, National Chung Cheng Univ.; senior executive operation manager of finance, iStart-Tek; manager of finance, Oriental Petrochemical; Manager, dept. of finance, Winstron /Viswell	None	None	None	None	None

Note 1: Listed in the table are those who are currently employed as of the date the annual report is printed.

Note 2: Miss Wu, Yen-Ling, former senior director, was relieved from her position as the head of finance and accounting on 16 Sep 2022 due to a reassignment.  
Note 3: Miss Ya-fang Yu assumed the head of finance and accounting on 3 Nov 2022.  
Note 4: where the GM or equivalent (highest level manager) and the chairman are the same person, spouse of each other, or within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response shall be disclosed: not applicable, as none of the above occurs.

### 3. Remuneration paid during the most recent fiscal year (2022) to directors, general manager, and VPs:

#### (1) Remuneration for board directors

#### Remunerations for general board directors and independent directors

31 Dec 2022; in NT\$ 1,000/1,000 shares

Job title	Name	Remuneration for board directors								Total of A, B, C and D, and percentage to income after tax (note 10)		Remunerations received by employees with concurrent jobs						Total of A, B, C, D, E, F, and G, and percentage to income after tax (note 10)		Pays received from parent company or invested business(es) other than a subsidiary (note 11)				
		Pay (A) (Note 2)		Pension (B)		Remuneration for board director (C) (note 3)		Expense for professional service (D) (note 4)		Salary, bonus, and special allowance (E) (note 5)	Pension (F)		Employee pay (G) (note 6)											
		FOCI	All companies in financial statement (note 7)	FOCI	All companies in financial statement (note 7)	FOCI	All companies in financial statement (note 7)	FOCI	All companies in financial statement (note 7)		FOCI	All companies in financial statement (note 7)	FOCI		All companies in financial statement (note 7)		FOCI	All companies in financial statement						
General board directors	Chairman	Song-fure Lin																						
	Dir.	Lee-chiou Chang		0	0	0	0	1,400	1,400	40	40	Total 1,440 3.06%	Total 1,440 3.06%	3,290.3	3,290.3	81	81	409.7	0	409.7	0	Total 5,221, 11.1%	Total 5,221, 11.1%	None
	Dir.	Beolym Corp.																						
		Hsin-tse Tsai , legal representative																						
Dir.	Ting-ta Hu																							
Ind. directors	Dir.	Mei-huei Li		3,600	3,600	0	0	0	0	55	55	Total 3,655, 7.77%	Total 3,655, 7.77%	0	0	0	0	0	0	0	0	Total 3,655, 7.77%	Total 3,655, 7.77%	None
	Dir.	Li-jen Kuo																						
	Dir.	Tzu-ming Wang																						

1. Please describe the policy, system, criteria, and structure to pay independent directors, and state the correlation between the job they perform, risks, and time input and the amount of their pay:

The remuneration of FOCI's independent directors is also reviewed by the remuneration committee for the extent of their participation in and contributions for FOCI, in addition to considering the evaluation results obtained from the performance evaluation of the board of directors. Suggestions are submitted to the board of directors for resolution based on company's business performance.

2. The remuneration received by board directors in the most recent year for providing services (such as serving as a consultant of FOCI / an invested enterprise for the parent company/finance/report and not a FOCI employee, etc.), in addition to the disclosure in the table above: None.

### Remuneration classes

Classes of remuneration paid to Foci's board directors	Name of director			
	Amount of A+B+C+D		Amount of A+B+C+D+E+F+G	
	FOCI (note 8)	All companies in the financial statement (note 9) H	FOCI (note 8)	All companies in the financial statement (note 9) I
< NT\$ 1,000,000	Song-fure Lin ; Lee-chiou Chang ; Beolym Corp.;Hsin-tse Tsai, legal representative of Beolym Corp. ; Ting-ta Hu	Song-fure Lin ; Lee-chiou Chang ; Beolym Corp.;Hsin-tse Tsai, legal representative of Beolym Corp. ; Ting-ta Hu	Song-fure Lin ; Lee-chiou Chang ; Beolym Corp.;Hsin-tse Tsai, legal representative of Beolym Corp.	Song-fure Lin ; Lee-chiou Chang ; Beolym Corp.;Hsin-tse Tsai, legal representative of Beolym Corp.
≥ NT\$ 1,000,000 and < NT\$ 2,000,000	Mei-huei Li ; Li-jen Kuo ; Tzu-ming Wang	Mei-huei Li ; Li-jen Kuo ; Tzu-ming Wang	Mei-huei Li ; Li-jen Kuo ; Tzu-ming Wang	Mei-huei Li ; Li-jen Kuo ; Tzu-ming Wang
≥ NT\$ 2,000,000 and < NT\$ 3,500,000				
≥ NT\$ 3,500,000 and < NT\$ 5,000,000			Ting-ta Hu	Ting-ta Hu
≥ NT\$ 5,000,000 and < NT\$ 10,000,000				
≥ NT\$ 10,000,000 and < NT\$ 15,000,000				
≥ NT\$ 15,000,000 and < NT\$ 30,000,000				
≥ NT\$ 30,000,000 and < NT\$ 50,000,000				
≥ NT\$ 50,000,000 and < NT\$ 100,000,000				
> NT\$ 100,000,000				
Total	8, including a legal representative	8, including a legal representative	8, including a legal representative	8, including a legal representative

Note 1: The names of directors shall be listed separately (for legal person shareholders, the names of legal person shareholders and representatives shall be listed separately), general directors and independent directors listed separately, and the payment amounts disclosed in a summarized manner. If the director concurrently serves as the general manager or a VP, this table and the following table (3-1), or the following tables (3-2-1) and (3-2-2) shall be filled out.

Note 2: This refers to the remuneration of directors in the most recent year (including director salaries, duty allowance, severance pay, bonuses, incentives, etc.).

Note 3: This is the amount of directors' remuneration distributed by the board of directors in the most recent year.

Note 4: It refers to the relevant business execution expenses of directors in the most recent year (including travel expenses, special allowance, various allowances, and payment in kind like dormitory and company car, etc.). If housing, cars and other means of transportation or exclusive personal expenses are provided, the nature and cost of the assets provided, the actual or calculated rent at fair market prices, fuel and other payments shall be disclosed. In addition, if a chauffeur is provided, the relevant remuneration paid by the company to the chauffeur shall be noted, but will not be included in the remuneration.

Note 5: This refers to the remuneration received by directors who are also employees in the most recent year (such as general manager, deputy general manager, other managers, and employees as a concurrent position), including salary, duty allowance, severance pay, various bonuses, rewards, travel expenses, special allowance, various allowances, and payment in kind such as dormitories and company car. If housing, cars and other means of transportation or exclusive

personal expenses are provided, the nature and cost of the assets provided, the actual or calculated rent at fair market prices, fuel and other payments shall be disclosed. In addition, if a chauffeur is provided, the relevant remuneration paid by the company to the chauffeur shall be noted, but will not be included in the remuneration. The salary expenses recognized in accordance with IFRS 2 "Share-Based Payment", including the acquisition of employee stock option certificates, new shares with restricted employee rights, and participation in cash capital increase subscription shares, etc., shall be included in remuneration.

Note 6: For directors who are also employees in the most recent year (such as general manager, deputy general manager, other managers, and employees as a concurrent position) and received employee remuneration (including stock and cash) in the most recent year, the amount of employee remuneration distributed by the board of directors in the most recent year shall be disclosed. If it is impossible to estimate, the proposed distribution amount for this year shall be calculated based on the proportion of the actual distribution amount of last year, and an additional table 1-3 shall be generated.

Note 7: The total amount of remuneration paid to FOCI's directors by all companies (including FOCI) in the consolidated report shall be disclosed.

Note 8: FOCI pays each director the total amount of remuneration, and the name of the director is disclosed in the class to which he/she belongs.

Note 9: The total amount of remuneration paid to each FOCI's director by all companies (including FOCI) in the consolidated report shall be disclosed, and the name of the director shall be disclosed in the class to which he/she belongs.

Note 10: Net profit after tax refers to that of individual or individual financial reports in the most recent year.

Note 11: a. This column shall clearly indicate the amount of remuneration received by FOCI's directors from an invested business other than a subsidiary or the parent company ("None" if there is not).

b. If a FOCI's director receives remunerations from an invested business other than a subsidiary or the parent company, the remuneration received by the directors from the invested business or the parent company shall be included in column I of the remuneration class table, and the column is renamed to "Parent Company and All Invested Enterprises".

c. The remuneration refers to the remuneration, pay (including pay of employees, directors and supervisors) and business execution expenses received by FOCI's directors as directors, supervisors or managers of subsidiaries or parent companies.

\* The content of remuneration disclosed in this table is different from the concept of income in the income tax law. This table is for information disclosure and not for taxation purposes.

(2) Remuneration of supervisor: none

(3) Remuneration of general manager and VPs

Remuneration of general manager and VPs (summarized according to name disclosure by class)

31 Dec 2022; in NT\$ 1,000/1,000 shares

Job title	Name	Salary (A) (note 2)		Pension (B)		Bonus and special allowance (C) (note 3)		Employee pay amount (D) (note 4)				% of A+B+C+D in net income profit after tax (note 8)		Pays received from parent company or invested business(es) other than a subsidiary (note 9)	
		FOCI	All companies in the financial statement (note 5)	FOCI	All companies in the financial statement (note 5)	FOCI	All companies in the financial statement (note 5)	FOCI		All companies in the financial statement (note 5)		FOCI	All companies in the financial statement		
								Cash amount	Stock amount	Cash amount	Stock amount				
GM	Ting-ta Hu														
GM of FOCI Shanghai and Zhongshan	Chun-ying Kung	7,452	7,452	367.4	367.4	1,930.9	1,930.9	1,430.9	0	1,430.9			Total 11,181.2 23.78%	Total 11,181.2 23.78%	None
VP	Ching-wei Wei														
VP	Shy-jge Wang														

Remuneration classes

Classes of remuneration paid to FOCI's general manager and VPs	Names of general manager and VPs	
	FOCI (note 6)	All companies in the financial statement (note 7) E
< NT\$ 1,000,000		
≥ NT\$ 1,000,000 and < NT\$ 2,000,000		
≥ NT\$ 2,000,000 and < NT\$ 3,500,000	Chun-ying Kung, Ching-wei Wei, Shy-jge Wang	Chun-ying Kung, Ching-wei Wei, Shy-jge Wang
≥ NT\$ 3,500,000 and < NT\$ 5,000,000	Ting-ta Hu	Ting-ta Hu
≥ NT\$ 5,000,000 and < NT\$ 10,000,000		
≥ NT\$ 10,000,000 and < NT\$ 15,000,000		
≥ NT\$ 15,000,000 and < NT\$ 30,000,000		
≥ NT\$ 30,000,000 and < NT\$ 50,000,000		
≥ NT\$ 50,000,000 and < NT\$ 100,000,000		
> NT\$ 100,000,000		
Total	4 persons	4 persons

- Note 1: The table discloses the payment amounts of the in-service general managers and VPs in 2022 as a summary. For the director who concurrently serves as the general manager (Ting-ta Hu), this table and the remuneration table for general directors and independent directors are filled out.
- Note 2: The salaries, duty allowance and severance pay of general manager and VPs shall be provided for the most recent year.
- Note 3: This refers to the remuneration received by directors who are also employees in the most recent year (such as general manager, deputy general manager, other managers, and employees as a concurrent position), including salary, duty allowance, severance pay, various bonuses, rewards, travel expenses, special allowance, various allowances, and payment in kind such as dormitories and company car. If housing, cars and other means of transportation or exclusive personal expenses are provided, the nature and cost of the assets provided, the actual or calculated rent at fair market prices, fuel and other payments shall be disclosed. In addition, if a chauffeur is provided, the relevant remuneration paid by the company to the chauffeur shall be noted, but will not be included in the remuneration. The salary expenses recognized in accordance with IFRS 2 "Share-Based Payment", including the acquisition of employee stock option certificates, new shares with restricted employee rights, and participation in cash capital increase subscription shares, etc., shall be included in remuneration.
- Note 4: For directors who are also employees in the most recent year (such as general manager, deputy general manager, other managers, and employees as a concurrent position) and received employee remuneration (including stock and cash) in the most recent year, the amount of employee remuneration distributed by the board of directors in the most recent year shall be disclosed. If it is impossible to estimate, the proposed distribution amount for this year shall be calculated based on the proportion of the actual distribution amount of last year, and an additional table 1-3 shall be generated.
- Note 5: The total amount of remuneration paid to FOCI's general manager and VPs by all companies (including FOCI) in the consolidated report shall be disclosed.
- Note 6: The names of general manager and VPs shall be disclosed in the class to which he/she belongs based on the total amount of remuneration paid to them by FOCI.
- Note 7: The total amount of remuneration paid to each FOCI's general manager and VP by all companies (including FOCI) in the consolidated report shall be disclosed, and their names shall be disclosed in the class to which he/she belongs.
- Note 8: Net profit after tax refers to that of individual or individual financial reports in the most recent year.
- Note 9: a. This column should clearly indicate the amount of remuneration received by FOCI's directors from an invested business other than a subsidiary or the parent company ("None" if there is not).
- b. If a FOCI's director receives remunerations from an invested business other than a subsidiary or the parent company, the remuneration received by the directors from the invested business or the parent company shall be included in column E of the remuneration class table, and the column is renamed to "Parent Company and All Invested Enterprises".
- c. The remuneration refers to the remuneration, pay (including pay of employees, directors, and supervisors) and business execution expenses received by FOCI's directors as directors, supervisors or managers of subsidiaries or parent companies.
- \*The content of remuneration disclosed in this table is different from the concept of income in the income tax law. This table is for information disclosure and not for taxation purposes.

(4) Names of managers receiving employee pays and the distribution:

1 Apr 2023; in NT\$ 1,000

	Job title	Name	Stock amount	Cash amount	Total	% in net profit after tax
Managers	GM	Ting-ta Hu	0	1,680	1,680	3.57%
	GM of FOCI Shanghai and Zhongshan	Chun-ying Kung				
	VP	Ching-wei Wei				
	VP	Shy-jge Wang				
	Sr. director	Shi-Hsiung Chu				
	Director	Ya-fang Yu				

Note 1: This table provides the amounts of employee pays distributed to the managers as approved by board of director in the most recent year, including stocks and cash. If it is impossible to estimate, the proposed distribution amount for this year shall be calculated based on the proportion of the actual distribution amount of last year. The net profit after tax refers to that in the most recent year; or that of individual or individual financial reports in the most recent year if the IFRSs are adopted.

Note 2: The director who serves as general manager (Mr. Ting-ta Hu) receives his pay as an employee and, therefore, this table is filled out in addition to the remuneration of general and independent directors.

(5) Compare and explain the percentage of the total amount of remuneration paid to FOCI's board directors, supervisors, general manager, and VPs in the last two years by FOCI and all companies in the consolidated report to the net profit after tax in individual or individual financial reports, and explain the correlation between the policies, standards, and combination for paying remuneration and the procedures for determining remuneration, and business performance and future risks.

1. Analysis on the percentages of the total amount of remuneration paid to FOCI's board directors, supervisors, general manager and VPs by FOCI and all companies in the consolidated report in the last two years in the net profit after tax in individual or individual financial report:

Item Title	FOCI				All companies in consolidated report			
	2021		2022		2021		2022	
	Total	% in net income	Total	% in net income	Total	% in net income	Total	% in net income
Directors' remuneration	13,695.8	6.79	8,876	18.87	13,695.8	6.79	8,876	18.87
Supervisors' remuneration	N/A	-	N/A	-	N/A	-	N/A	-
GM and VPs' remuneration	12,880	6.39	11,181.2	23.78	12,880	6.39	11,181.2	23.78
Net income	201,644	-	47,021	-	201,644	-	47,021	-

2. Remuneration payment policy, criteria and combination, procedure to determine remuneration, and correlation between business performance and future risks

a. For board directors and supervisors

The remuneration for board directors and supervisors is determined based on FOCI's

Articles of Incorporation. No more than 5% of profits made in a year, if any, are distributed to directors and supervisors as remuneration. The percentage is reviewed by the remuneration committee and approved by the board of directors.

b. For GM and VPs

The remuneration paid to GM and VPs includes salary, bonus, employee's pay, and restricted stock awards. FOCI's Rules for Human Resource Management specifies that the remuneration is determined based on the managers' contribution, experience, performance and responsibility, and by consulting the criteria used in the same trade of business. The determined remuneration is reviewed by the remuneration committee and approved by the board of directors.

c. FOCI's main remuneration principles are to link responsibilities to performance results, provide market-competitive remuneration to attract and cultivate talents for the long run, and reflect the company's operating risks and corporate governance structure; the short-term profits are not considered as the only indicator for remuneration and performance evaluation. The long-term shareholder value is the key.

**4. State of the company's implementation of corporate governance:**

(1) Operations of board of directors

The board of directors had 4 meetings in the most recent year (2022) with the following directors attending:

Title	Name	Actual attendance	Attendance by proxy	Actual attendance %	Remark
Chairman	Song-fure Lin	4	0	100%	
Director	Lee-chiou Chang	4	0	100%	
Director	Ting-ta Hu	4	0	100%	
Director	Hsin-tse Tsai, legal representative of Beolym Corp.	4	0	100%	
Ind. director	Li, Mei-Hu	3	1	75%	
Ind. director	Li-jen Kuo	4	0	100%	
Ind. director	Tzu-ming Wang	4	0	100%	

Other matters to be stated:

1. The date, period, content of the proposal, comments of all independent directors, and how the comments of independent directors are handled shall be stated in any of the following circumstances for the operation of the board of directors:
  - (1) Matters listed in Article 14-3 of the Securities and Exchange Act: FOCI has established an audit committee and, therefore, Article 14-3 does not apply. For the explanation of the items listed in Article 14-5 of the Securities and Exchange Act, refer to Operations of the Audit Committee (page 26).
  - (2) Other resolutions of the board meeting with objections or reservations of independent directors and records or written statements in addition to matters mentioned above: None.
2. The implementation of directors' recusal of interest-related proposals shall state the director's name, content of the proposal, reasons for recusal, and participation in voting shall be stated for recusal of due to conflict of interests:

Date of board meeting	Recusal of director(s) due to conflict of interests
5th meeting of 11th board of director 5 May 2022	<ul style="list-style-type: none"> <li>● The directors' remuneration distribution was reviewed for 2022. Due to the conflict of interests, Chairman Lin, directors Chang, Tsai and Hu were excused from the voting. Miss Li, independent director and acting chair of the meeting, motioned for the approval after consulting with the remaining directors.</li> <li>● The managers' remuneration distribution was reviewed for 2022. Mr. Hu, a director who is also the general manager of FOCI, was excused from the voting due to conflict of interests. The chairman motioned for the approval after consulting with the remaining directors.</li> </ul>
7th meeting of 11th board of director 3 Nov 2022	<ul style="list-style-type: none"> <li>● The managers' year-end bonus distribution was reviewed for 2023. Mr. Hu, a director who is also the general manager of FOCI, was excused from the voting due to conflict of interests. The chairman motioned for the approval as proposed by the remuneration committee after consulting with the remaining directors.</li> </ul>

3. Period and duration of the board of directors' self-assessment, the scope, method, and contents of assessment:

Execution of board of directors' assessment

Assessment period	Duration	Scope	Method	Contents
Once every year	From 1 Jan 2022 to 31 Dec 2021	Board of directors, board members and functional committees (including auditing committee and remuneration committee)	The internal assessment was performed on the board of directors, board members and functional committees (including auditing committee and remuneration committee) in form of questionnaire	<p>Board of directors: Participation in company operations, improvement of quality of resolutions made by board of directors, composition and structure of board of directors, election of board members, continuous education and internal control.</p> <p>Board members: Control over company goals and tasks, knowledge about directors' duties, participation in company operations, improvement and communications of internal relationship, professional and continuous education of directors and internal control.</p> <p>Auditing committee: Participation in company operations, knowledge about functional committee's duties, improvement of quality of resolutions made by functional committee, composition and structure of board of directors, election of committee members, and internal control.</p> <p>Remuneration committee: Participation in company operations, knowledge about functional</p>

				committee's duties, improvement of quality of resolutions made by functional committee, composition and structure of board of directors, and election of committee members
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4. Goals of current year and the most recent year to improve board of directors' competency, such as establishment of auditing committee and improvement of information transparency, and their implementation:

1. The "Procedure for Board of Directors Meetings" was established according to the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies."
2. The remuneration committee was established on 18 Nov 2011 to develop and periodically review the policies, systems, criteria and structures of performance evaluation and remuneration, and specify the remuneration for board directors and managers.
3. The auditing committee was established on 30 Sep 2019 in place of the board supervisor to perform the duties imposed by the Securities and Exchange Act, Company Act and other applicable laws and regulations.
4. For company governance and improvement of board of directors' functionality, the "Rules for Performance Assessment of Board of Directors" were established by the board of directors on 14 Mar 2019 to complete the self-assessment by the end of first quarter of the next year. The result of self-assessment for 2022 were excellent or better with no major improvements needed, and presented in the board of directors report on 23 Feb 2023. Also, an external board of directors' performance assessment was performed by the Taiwan Corporate Governance Association for 2021 in forms of online questionnaire and field visits on 8 aspects, namely the composition, guidance, authorization, supervision, communications, internal control, and risk management of board of directors, self-disciplines, board meetings, and support system.
5. An "Investors' Section" was established on FOCI's website, providing the contact information of company spokesperson and allowing shareholders' inquiries for FOCI's financial and business status. Also, the "procedure to handle major internal information" and "management rules to prevent insider trading" were developed and promulgated by the board of directors.

(2) Operation overview of audit committee or involvement of supervisors in the operation of board of directors:

1 .Operation of audit committee:

The audit committee had 4 meetings in the most recent year (2022), with the attendance of following independent directors:

Job title	Name	No. of meetings attended	No. of meetings attended by a proxy	% of attendance in person	Note
Independent director	Mei-huei Li	3	1	75%	
Independent director	Li-jen Kuo	4	0	100%	
Independent director	Wang, Tzu-Ming	4	0	100%	

Other matters to be noted:

- In any of the following cases for the operation of the audit committee, the date, term and contents of agenda of audit committee meeting, and dissenting / qualified opinion of independent directors, or any major suggestions, resolution results of audit committee, and how the comments of audit committee are handled shall be specified.

(1) Matters required by Article 14-5 of Securities and Exchange Act:

Date and term of audit committee meetings	Agendas	Dissenting / qualified opinion of any independent director, or major suggestions	Resolution result by audit committee	How the audit committee's comments are handled
3 <sup>rd</sup> meeting, second term, 24 Feb 2022	1. FOCI's 2021 business report and financial report 2. FOCI's 2021 earnings distribution 3. Review of the internal control system's effectiveness and proposal of "internal control system statement" 4. Proposed partial amendment of FOCI's "Articles of Incorporation" 5. Proposed partial amendment of FOCI's "Guidelines for Company Governance Practice" 6. Proposed partial amendment of FOCI's "Guidelines for Corporate Social Responsibility Practice" 7. Proposed partial amendment of FOCI's	None	Unanimous approval as is by all attending members after consultation by meeting chair	Proposed for decision in 4 <sup>th</sup> meeting of the 11 <sup>th</sup> term of board of directors, and processed per board of directors' resolutions

	<p>“Regulations Governing the Acquisition and Disposal of Assets”</p> <p>8. Change of FOCI’s new financial and accounting heads</p> <p>9. Approval of FOCI’s company seal keeper</p> <p>10. Determination of the benchmark date for FOCI’s second unsecured conversion of corporate bonds and issuance of new shares for capital increase</p> <p>11. FOCI’s investment proposal</p> <p>12. Disposal of land use rights and buildings proposed by a FOCI’s subsidiary</p>			
<p>4<sup>th</sup> meeting, second term, 5 May 2022</p>	<p>1. FOCI’s investment proposal</p> <p>2. Rotation of FOCI’s CPAs</p>	<p>None</p>	<p>Unanimous approval as is by all attending members after consultation by meeting chair</p>	<p>Proposed for decision in 5<sup>th</sup> meeting of the 11<sup>th</sup> term of board of directors, and processed per board of directors’ resolutions</p>
<p>5<sup>th</sup> meeting, second term, 4 Aug 2022</p>	<p>1. FOCI’s consolidated financial report for Q2, 2022</p> <p>2. Equity restructuring of a company invested by FOCI</p> <p>3. Proposed endorsement for a FOCI’s subsidiary</p>	<p>None</p>	<p>Unanimous approval as is by all attending members after consultation by meeting chair</p>	<p>Proposed for decision in 6<sup>th</sup> meeting of the 11<sup>th</sup> term of board of directors, and processed per board of directors’ resolutions</p>
<p>6<sup>th</sup> meeting, second term, 3 Nov 2022</p>	<p>1. Appointment of FOCI’s new financial and accounting heads</p> <p>2. FOCI’s consolidated financial report for Q3, 2022</p> <p>3. FOCI’s business plan for 2023</p> <p>4. FOCI’s audit plan for 2023</p> <p>5. Capital decrease for a FOCI’s subsidiary</p> <p>6. Approval of FOCI’s company seal keeper</p> <p>7. Amendment of FOCI’s “Regulations Governing</p>	<p>None</p>	<p>Unanimous approval as is by all attending members after consultation by meeting chair</p>	<p>Proposed for decision in 7<sup>th</sup> meeting of the 11<sup>th</sup> term of board of directors, and processed per board of directors’ resolutions</p>

	<p>Procedure for Board of Directors Meetings”</p> <p>8. Amendment of FOCI’s “Procedure for handling internal material information”</p> <p>9. Evaluation of FOCI’s CPAs’ independence and competency</p> <p>10. Determination of the benchmark date for FOCI’s second unsecured conversion of corporate bonds and issuance of new shares for capital increase</p>			
<p>7<sup>th</sup> meeting, second term, 23 Feb 2023</p>	<p>1. FOCI’s capital expenditure</p> <p>2. FOCI’s 2022 business report and financial report</p> <p>3. FOCI’s 2022 earnings distribution</p> <p>4. Review of the internal control system’s effectiveness and proposal of “internal control system statement”</p> <p>5. Employment of FOCI’s CPAs for 2023</p>	<p>None</p>	<p>Unanimous approval as is by all attending members after consultation by meeting chair</p>	<p>Proposed for decision in 8<sup>th</sup> meeting of the 11<sup>th</sup> term of board of directors, and processed per board of directors’ resolutions</p>

(2) Other matters that are not approved by the audit committee but approved by 2/3 or more board directors, in addition to those mentioned above: none.

2. For a conflict of interests in an independent director for an agenda, the name of the independent director, contents of the agenda, reason of conflict and participation in voting shall be specified: none.
3. Communications between independent directors, head of internal auditing and accountants (any major financial or business matter to be communicated, how it is communicated and the result of communications shall be included)
  - (1) Communications between independent directors, head of internal auditing and accountants
    1. FOCI’s independent directors have a meeting with CPAs at least once every quarter. CPAs report to the directors on their audits on quarterly financial reports and other matters required by applicable regulations, and communicate with the directors for the need to adjust the reports or any influence of regulation amendment on account listing.
    2. FOCI’s head of internal auditing has a meeting at least once every quarter to report to the independent directors on the auditing operations, results, and follow-ups.
    3. FOCI’s head of internal auditing may communicate with CPAs and independent directors directly as appropriate, and maintains a working channel for communications.
  - (2) Summary of communications between independent directors and head of internal auditing
 

FOCI’s independent directors always have communications with the head of internal auditing. Their communications in 2022 are summarized as follows:

Date	Key points of communications
24 Feb 2022	Audit report, Q4 2021 “Internal audit system statement,” 2021
5 May 2022	Audit report, Q1 2022
4 Aug 2022	Audit report, Q2 2022
3 Nov 2022	Audit report, Q3 2022 Audit plan, 2023

(3) Summary – communications between independent directors and CPAs:

FOCI’s independent directors and CPAs are well communicated. Important communications in 2022 are summarized as follows:

Date	Key points of communications
24 Feb 2022	2021 consolidated and individual financial report review results and important communication matters <ol style="list-style-type: none"> <li>1. Scope of review: review of group financial reports and importance</li> <li>2. Review findings and matters of communications: review report, key matters reviewed, trades of stakeholders ,major accounting estimations and transactions</li> <li>3. Other matters of communications and regulation updates</li> <li>4. Independence</li> <li>5. Proposed plan to communicate with governance units</li> </ol>
5 May 2022	Consolidated and individual financial report review results and important communication matters for Q1 2022 <ol style="list-style-type: none"> <li>1. Scope of review</li> <li>2. Matters of communications: review report, major accounting estimations, major transactions, major adjustments and unadjusted entries</li> <li>3. Independence</li> <li>4. Proposed plan to communicate with governance units</li> </ol>
4 Aug 2022	Consolidated and individual financial report review results and important communication matters for Q2 2022 <ol style="list-style-type: none"> <li>1. Scope of review</li> <li>2. Matters of communications: review report, major accounting estimations, major transactions, major adjustments and unadjusted entries</li> <li>3. Independence</li> <li>4. Regulation updates</li> <li>5. Proposed plan to communicate with governance units</li> </ol>
3 Nov 2022	Consolidated and individual financial report review results and important communication matters for Q3 2022 <ol style="list-style-type: none"> <li>1. Scope of review</li> <li>2. Matters of communications: review report, major accounting estimations, major transactions, major adjustments and unadjusted entries</li> <li>3. Independence</li> <li>4. Regulation updates</li> <li>5. Proposed plan to communicate with governance units</li> </ol>

- (3) State of the company's implementation of corporate governance, deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such deviation

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
1. Has the Company established and disclosed its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		FOCI has developed the "", and has regulations aimed at strengthening the functions of the management, respecting the rights and interests of stakeholders, and improving information transparency. For our Guidelines for Company Governance Practice, please visit TWSE MOPS or FOCI's website.	No deviation
2. Shareholding Structure and Shareholders' Rights				
(1) Does the Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	V		FOCI has appointed a stock affairs agency to deal with it on FOCI's behalf, and has a spokesperson and an acting spokesperson to handle issues raised by shareholders. Investor relations liaison and stock affairs specialists handle matters such as shareholder suggestions or disputes. The contact information and email address of the "investor relations and stock affairs agent contact person" are disclosed in the investor relations section of FOCI's website	No deviation
(2) Does the Company know the identity of its major shareholders and the parties with ultimate control of the major shareholders?	V		FOCI's stock affairs personnel is in constant contact with FOCI's stock affairs agency for updates on the latest list of shareholders and shares held by directors, managers and major shareholders holding 10% of the shares on a monthly basis. FOCI's website	No deviation

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPE X Listed Companies and the reasons
	Yes	No	Summary description	
			and annual reports also disclose the list of the company's major shareholders, the amount and proportion of shares held.	
(3) Has the Company built and implemented a risk management system and a firewall between the Company and its affiliates?	V		FOCI has established internal control system, "Rules for supervision of subsidiary companies" and "Procedure for trading of specific companies and related parties within corporate group" and other rules in accordance with applicable laws and regulations for risk control and firewall mechanism with related companies.	No deviation
(4) Has the Company established internal rules prohibiting insider trading of securities based on undisclosed information?	V		FOCI has operating procedures such as "Management Rules for Preventing Insider Trading" and "Procedure for handling internal material information". All parties involved are required to abide by the regulations stipulated in the operating procedures through internal publicity.	No deviation
<b>3. Composition and responsibilities of the board of directors</b>				
(1) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?	V		See page 15, "Diversity and independence of the board of directors" for the board diversity policy of FOCI, the management goal and its implementation.	No deviation
(2) Has the Company voluntarily established other functional committees in addition to the remuneration committee and the audit committee?		V	A remuneration committee and an audit committee have been set up, and additional functional committees are being planned in accordance with laws and company operating needs in the future.	Additional functional committees are being planned in accordance with laws and

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPE x Listed Companies and the reasons
	Yes	No	Summary description	
				company operating needs in the future.
(3) Has the Company established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as reference in determining salary/compensation for individual directors and their nomination and additional office terms?	V		FOCI has formulated the "Rules for Performance Evaluation on the Board of Directors", and conducts internal audits on the evaluation procedures and indicators established by the "board of directors as a whole", "individual directors", "audit committee" and "remuneration committee" in accordance with the Rules. In 2022, FOCI's self-assessment results were excellent with no major improvement needed; the results were reported to the board of directors on 23 Feb 2023. In addition, Taiwan Corporate Governance Association was entrusted to conduct an external board effectiveness evaluation in 2021. The evaluation was conducted in the form of online questionnaire survey and field visits on eight major aspects, namely the composition, guidance, authorization, supervision, communication, and internal control of the board of directors, risk management, self-discipline, board meetings, and support system.	No deviation

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPE x Listed Companies and the reasons
	Yes	No	Summary description	
(4) Does the Company regularly evaluate its external auditors' independence?	V		FOCI's audit committee assesses the independence and suitability of appointed CPAs every year. The CPAs are asked to provide the "statement of independence" and "audit quality indices (AQIs)," and evaluated according to the criteria in Note 1 and 13 AQIs. No financial benefit or business is found between FOCI and CPAS, except the fees paid to CPAs for certification and financial and taxation cases. No violation of independence requirements is found in any member of any appointed CPAs. The AQIs indicate that the CPAs and their office are better than the tier average in terms of auditing experience and hours of training. Digital auditing tools are introduced in the recent 3 years for better auditing quality. The latest year's evaluation result was discussed and approved by the audit committee on Feb 23 2023, submitted to the board meeting on Feb 23 2023, and approved for the independence and suitability of CPAs.	No deviation

Evaluation item	Implementation status			Summary description	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPE x Listed Companies and the reasons
	Yes	No			
Evaluation items					Independence complied?
No.	Description				
1	The professional accountants should avoid and should not accept the engagement when they may have involved in any direct or material indirect interests which may impair their impartiality and independence.				Y
2	Financial reports are audited or reviewed to provide the general potential report users high or moderate, but not absolute, assurance. Professional accountants shall maintain Independence of mind and in appearance. Therefore, the members of audit team, the partners of the firm or shareholders of corporate accounting firms, accounting firms, and any of affiliates, and network firms, must be always independence with his/their clients.				Y
3	The accountants appointed by FOCI shall have the following qualities: (Shown in 3.1~3.3 below)				
3.1	Integrity: a professional accountant shall be straightforward and honest in all professional and business relationships.				Y
3.2	Objectivity: a professional accountant shall be free from bias, conflict of interest or undue influence of others to override independence.				Y
3.3	Independence: a professional accountant shall have independence of mind and in appearance, to express an opinion on financial statements for the work of auditing, review or special audit.				Y
4	Independence is related with the integrity and objectivity. In the lack of or impairment of independence, the integrity and objectivity could also not be held.				Y
5	Independence may be impaired by self-interest, self-review, advocacy, familiarity and intimidation.				Y
6	The self-interest could impair on the accountant's independence. The self-interest threat means to acquire a financial interest in FOCI or has another conflict of interest created by other interests or relationships with FOCI. Does any of the following self-interests (6.1~6.6 below) occur?				
6.1	Having a direct or material indirect financial interest in FOCI.				Y
6.2	Having a financing or guarantee behavior with FOCI or any of the directors or supervisor.				Y
6.3	Being concerned about the possibility of losing FOCI as a client.				Y
6.4	Having a significant close business relationship with FOCI.				Y
6.5	Entering into a potential employment negotiation with FOCI.				Y
6.6	Entering into a contingent fee arrangement relating to an audit engagement.				Y
7	Independence is influenced by self-review threat means that a professional accountant uses the reports or judgments that result from the non-assurance services as an important factor of concluding the result in auditing or reviewing the financial information; or a member of the audit team is an audit client's former director or, supervisor or is in a key position to influence the audit engagement. Does any of the following circumstances (7.1~7.2 below) occur?				
7.1	A member of the assurance team being, or having been a director, or supervisor of FOCI, or employed by FOCI in a position to exert significant influence over the subject matter of the engagement within the last two years.				Y

Evaluation item	Implementation status			Summary description	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPE x Listed Companies and the reasons
	Yes	No			
7.2				The non-assurance service which performed by the firm for FOCI that would affects directly a material item of the assurance engagement.	Y
8				Independence is influenced by advocacy threat means that a member of the audit team acting as an advocate in support of the client's position that results in objectivity challenged. Does any of the following circumstances (8.1~8.2 below) occur?	
8.1				The firm promoting or brokering shares in an audit client or other securities issued by FOCI.	Y
8.2				Besides legally permitted businesses, a professional accountant acting as an advocate on behalf of FOCI in litigation or disputes with third parties.	Y
9				The effect on independence of familiarity means that a close relationship with a FOCI's director, supervisor and manager will influence a CPA or a member of the audit engagement team to excessive concern or sympathize with FOCI's interests. Does any of the following circumstances (9.1~9.3 below) occur?	
9.1				A member of the engagement team having a close or immediate family member who is a director, supervisor, or officer of FOCI or an employee of FOCI who is in a position to exert significant influence over the subject matter of the engagement.	Y
9.2				A former partner within one year of disassociating from the firm joins OFIC as a director, supervisor, or officer or is in a key position to exert significant influence over the subject matter of the engagement.	Y
9.3				A professional accountant accepting gifts or preferential treatment of significant value from FOCI, a FOCI's director, supervisor, or officer.	Y
10				Independence is influenced by intimidation threat. The threat that a professional accountant will be deterred from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over the professional accountant. Does any of the following circumstances (10.1~10.2 below) occur?	
10.1				Asking an accountant to accept an inappropriate selection in accounting policy or make inappropriate disclosure in financial reports.	Y
10.2				An account being pressured to reduce inappropriately fees, in order to compel the firm to reduce the extent of work performed.	Y

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
4. Does the TWSE/TPEX listed company have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer with responsibility corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with laws and regulations, organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)?		V	At present, FOCI's GM office, finance dept, and auditing office are jointly responsible for corporate governance, including providing directors with information needed to perform business, assisting directors in complying with laws and regulations, handling company change registration, preparing board and shareholder meeting minutes, and handling legal matters related to meetings of the board of directors and shareholders' meeting. A corporate governance supervisor will be appointed depending on FOCI's operating scale or legal requirements.	A corporate governance supervisor will be appointed depending on FOCI's operating scale or legal requirements.
5. Has the Company established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholders' section on its company website? Does the Company appropriately respond to stakeholders' questions and concerns on important corporate social responsibility issues?	V		spokesperson system. The contact information of the person in charge of investment relations and the spokesperson is provided in the investor relations section of FOCI's website to help with any questions or suggestions that stakeholders are concerned about the company. In addition, the spokesperson's e-mail address is also provided as a communication channel with stakeholders.	No deviation
6. Has the Company appointed a professional shareholder services agent to handle	V		The Stock Transfer Agency Department of Taishin Bank has been appointed for FOCI's stock	No deviation

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPE X Listed Companies and the reasons
	Yes	No	Summary description	
matters related to its shareholder meetings?			affairs and shareholders' meetings.	
<b>7. Information Disclosure</b>				
(1) Has the Company established a corporate website to disclose information regarding its financials, business, and corporate governance status?	V		The information of FOCI's financial operations and corporate governance is disclosed in the investor relations section of FOCI's website	No deviation
(2) Does the Company use other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	V		FOCI's website is set up in both Chinese and English to disclose financial, business and other information. A person is appointed for the collection and disclosure of company information in several aspects, such as financial, stock affairs, corporate governance, corporate social responsibility, etc. Communication channels such as spokespersons and stakeholders are disclosed as well.	No deviation
(3) Does the company publish and report its annual financial report within two months after the end of the fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating statements for each month before the specified deadlines?	V		FOCI's financial statements are published and declared within two months after the end of the fiscal year, and so are the first, second, and third quarter financial reports and the operating conditions of each month before the prescribed deadline.	No deviation
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance	V		1. Employee rights and employee care: FOCI uphold integrity, respects and cares for employees. In addition to protecting the legitimate rights and interests of	No deviation

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' continuing education, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?			<p>employees in accordance with the Labor Standards Act. A welfare committee, with members selected from all departments of FOCI, is established to formulate various employee benefit plans.</p> <p>2. Investor relations: a dedicated unit is designated in accordance with applicable regulations to immediately announce information on financial, business, and insider equity changes at TWSE MOPS for information disclosure and transparency.</p> <p>3. Supplier relationship: a supplier review and evaluation process is in place, along with relevant specifications for supplier quality, green products, environmental protection and ethical standards, hoping to maintain a good and honest interactive relationship with suppliers.</p> <p>4. Stakeholders' rights: communication channels are available in the investor relations section of FOCI's website for stakeholders for both their and FOCI's rights and interests.</p> <p>5. Continuing education for directors and supervisors: The continuing education of FOCI's directors in 2022 all complied with the requirements of the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies". Please</p>	

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPE X Listed Companies and the reasons
	Yes	No	Summary description	
			<p>refer to the table below for directors' continuing education.</p> <p>6. The implementation of risk management policies and risk measurement standards: see VII, Review and analysis of the company's financial position and financial performance, and a listing of risks, of the report.</p> <p>7. Implementation of customer policy: FOCI usually maintains a close relationship with customers, and a customer service department is in place to ensure that products meet customer expectations and customer rights are protected.</p> <p>8. Director insurance: a liability insurance policy for directors and managers is prepared for better corporate governance.</p>	
<p>9. Please describe improvements that have already been made based on the Corporate Governance Evaluation results released for the most recent fiscal year by the Corporate Governance Center, Taiwan Stock Exchange, and specify the priority enhancement objectives and measures planned for any matters still awaiting improvement.</p> <p>Corporate governance assessments are performed in accordance with applicable regulations. FOCI has gradually improved and followed the corporate governance assessment indicators issued by the corporate governance center, and will review and formulate improvement plans for projects that have not yet met the corporate governance standards.</p>				

### Continuing education of board directors in 2022

Title	Name	Program provider	Program name	Hours of education
Chairman	Song-fure Lin	Accounting Research and Development Foundation	Breach of Trust – Case Study and Legal Responsibility Interpretations	3
Chairman	Song-fure Lin	Accounting Research and Development Foundation	Interpretation of concepts of ISSB S1 Standards, “General Requirements for Disclosure of Sustainability-related Financial Information”	3
Chairman	Song-fure Lin	Taiwan Institute of Directors	Fast-growing companies, from a 100-year-old enterprise’s point of view	3
Director	Lee-chiou Chang	Securities and Futures Institute	Competitiveness vs. Survivability – ESG trends and strategies	3
Director	Lee-chiou Chang	Securities and Futures Institute	Risks and Opportunities of Climate Change and Net Zero Emissions Policies to Business Operations	3
Director	Ting-ta Hu	Accounting Research and Development Foundation	How to break down key information hidden in corporate finance and improve ability of crisis warning	6
Director	Ting-ta Hu	Taiwan Institute of Directors	Fast-growing companies, from a 100-year-old enterprise’s point of view	3
Director	Hsin-tse Tsai	Accounting Research and Development Foundation	How to break down key information hidden in corporate finance and improve ability of crisis warning	5
Ind. director	Mei-huei Li	Allied Association for Science Park Industries	Prevention of insider trading and case study	3
Ind. director	Mei-huei Li	Taiwan Institute of Directors	Fast-growing companies, from a 100-year-old enterprise’s point of view	3
Ind. director	Tzu-ming Wang	Taiwan Corporate Governance Association	Corporate financial information interpretation and use of decision-making	3
Ind. director	Tzu-ming Wang	Taiwan Corporate Governance Association	10 classes of corporate governance	3
Ind. director	Li-jen Kuo	Taiwan Corporate Governance Association	How an auditing committee oversees internal control effectively	3
Ind. director	Li-jen Kuo	Taiwan Corporate Governance Association	How to build and run an auditing committee	3

(4) The composition, duties and operations of remuneration or nomination committee, if established, shall be disclosed:

1. Miss Mei-huei Li, Miss Li-jen Kuo, and Mr. Tzu-ming Wang, who are independent directors, and Mr. Chou, Chi-Jen were elected and approved by FOCI's board of directors on 5 Aug 2021 as the members of 5<sup>th</sup> remuneration committee. The members of the remuneration committee nominated Miss Mei-huei Li as the convenor of the committee on 4 Nov 2021.

2. The duties of FOCI's remuneration committee: the members shall perform the following duties faithfully as a manager of good faith, and submit the committee's decision to the attention of board of directors.

(1) Develop and periodically review the policies, systems, criteria and structures of performance evaluation and remuneration for board directors and managers; and

(2) Evaluate and develop remunerations of board directors and managers periodically.

### 3. Information of remuneration committee members

Title		Conditions	Professional qualification and experience	Status of independence	No. of companies that the remuneration committee members receives pay from
Name					
Convenor / ind. director	Mei-huei Li		See the information disclosure in 4. Directors' professional qualification and independence on page 13.	(1) Not an employee of FOCI or its affiliates; (2) Not a director or supervisor of FOCI or its affiliates (however, this does not apply if the independent directors appointed by FOCI and its parent company, subsidiaries, or subsidiaries of the same parent company in accordance with the Act or the laws of the local country concurrently serve as independent directors.) (3) Natural person shareholders who are not themselves and their spouses, minor children, or others who hold more than 1% of FOCI's total issued shares or is one of the top ten shareholders.	1
Ind. director	Li-jen Kuo				0
Ind. director	Tzu-ming Wang				0
Member	Chi-jen Chou	5 years or more of work experience needed for company business; competency in organizational behaviors and diagnosis and business performance management, human resource management and training, organization reformation and knowledge management, organizational operation supports, and operations and management of non-profit organization.			1

### 4. Operations of remuneration committee

(1) FOCI's remuneration committee has four members.

(2) The term of members: from 5 Aug 2021 to 4 Jul 2024; the committee had 3 meetings in 2022. The qualification and attendance of the members are described as follows:

Title	Name	No. of attendance in person	No. of attendance by proxy	Actual attendance % No. of attendance in person/no. of attendance by proxy	Remark
Convenor	Mei-huei Li (current)	3	0	100%	
Member	Li-jen Kuo (current)	3	0	100%	
Member	Tzu-ming Wang (current)	3	0	100%	
Member	Chou, Chi-Jen (current)	3	0	100%	

Other matters to be stated:

- The date, period, content of the proposal, the result of the resolution of the board of directors, and how the comments of the remuneration committee are handled shall be stated if the board of directors does not adopt or amend the suggestion of the committee (for example, the difference and reason shall be explained if the salary approved by the board of directors is better than that of the remuneration committee): none
- The date, period, content of the proposal, the result of the resolution of the board of directors, and how the comments of the remuneration committee are handled shall be stated if a member has objection or reservation against the decision made by the remuneration committee and there are records or written statements: none
- Agendas and resolutions of remuneration committee meetings in the most recent year and how members' comments were handled:

Remuneration committee	Agendas and resolutions
2 <sup>nd</sup> meeting of 5 <sup>th</sup> committee 24 Feb 2022	Agenda: 1. Remuneration of financial and accounting heads as FOCI's new managers; 2. Distribution of remuneration to FOCI's board directors and employees in 2021 3. Proposal of incentives for FOCI's goals
	Committee members' comments: no objection or reservation Resolutions: Agendas 1 and 3: approved as proposed after the chairman consulted with all attending members. Agenda 2: the directors' remuneration was changed from 2.25% as originally proposed to 2% after the chairman consulted with all attending members. How the comments of remuneration committee were handled: the comments were brought to the board of directors and approved by all attending directors.
3 <sup>rd</sup> meeting of 5 <sup>th</sup> committee 5 May 2022	Agenda: 1. Distribution of remuneration to FOCI's board directors in 2021 2. Distribution of remuneration to FOCI's managers in 2021
	Committee members' comments: no objection or reservation Resolutions: Agenda 1: approved as proposed after the chairman consulted with all attending members. Agenda 2: approved as proposed after the chairman consulted with

	<p>all attending members. How the comments of remuneration committee were handled: the comments were brought to the board of directors and approved by all attending directors.</p>
<p>4<sup>th</sup> meeting of 5<sup>th</sup> committee 3 Nov 2022</p>	<p>Agenda: 1. Amendment of FOCI’s “summary of current remunerations for board directors, supervisors and managers;” 2. Remuneration of financial and accounting heads as FOCI’s new managers; 3. Distribution of year-end bonus to managers in 2022.</p> <p>Committee members’ comments: no objection or reservation Resolutions: Agendas 1 and 2: approved as proposed after the chairman consulted with all attending members. Agenda 3: approved as amended after the chairman consulted with all attending members. How the comments of remuneration committee were handled: the comments were brought to the board of directors and approved by all attending directors.</p>

5. Information of nomination committee members and committee’s operations: not applicable.

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

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
1. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?	V		FOCI's corporate strategy development center is in charge of integrating and promoting the sustainable development of the company, and the board of directors authorizes the general manager to handle and supervise.	According to FOCI's "Guidelines for Sustainable Development Practice", the Strategy Development Center is responsible for integrating and promoting the sustainable development of the company as the highest-level sustainable development decision-making center within the company, and the "Greenhouse Gas Inventory Implementation Committee" is established and authorized by the board of directors. The VP of the strategy development center is responsible for organizing the implementation committee meetings and forming the verification team of the parent company and the branch companies. FOCI promote the sustainable development of the enterprise, and jointly reviews the company's core operating capabilities with a number of senior executives in different fields, and formulates medium and long-term sustainable development plans.
2. Does the company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	V		The "Guidelines for Sustainable Development Practice " have been developed and disclosed on FOCI's website. The guidelines are established to review the effectiveness of corporate social responsibility implementation from time to time, while considering the development trend of corporate social responsibility at home and abroad to promote various corporate social activities.	FOCI have risk assessment management procedures in place, and formulates relevant risk management policies or strategies based on the assessed risks, as follows: environment: 1. With the United States and EU as the main markets, FOCI's products must comply with environmental protection regulations. Therefore, FOCI has been certified for "ISO 14001", and subsequently obtained certification on a regular basis. 2. FOCI starts to check the greenhouse gas emissions according to ISO 14064, and examines the impact of the company's operations. 3. The internal audit plan is developed every year aiming at

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
				<p>FOCI's compliance with applicable environmental laws and regulations, and each operation process has been checked for compliance with the regulations.</p> <p>Society Regular fire drills and industrial safety training are held every year to develop employees' capabilities in emergency response and self-safety management.</p> <p>Corporate Governance 1. Compliance with social and economic laws and regulations: governance organizations are established and internal control mechanisms implemented to ensure that all FOCI's employees and operations truly abide by applicable laws and regulations. 2. Strengthening the functions of directors: training topics are planned for directors; directors are provided with updates on the latest regulations, system development and policies every year; and director liability insurance is purchased to protect directors from lawsuits or claims. 3. Stakeholder communication: communication channels are established for active communications, and to reduce confrontation and misunderstanding. An investor mailbox is provided, and managed by the spokesperson.</p>
<b>3. Environmental issues</b>				
(1) Has the Company set an environmental management system designed to industry characteristics?	V		FOCI has an environmental protection policy in place and has obtained ISO14001 system certification. The environmental management system is executed for air pollution control and proper disposal of waste water and waste according to law, and the concepts of environmental protection and energy saving, and reduced waste of resources have been promoted throughout the entire organization. Certification type:	FOCI establishes an environmental management system according to ISO 14001 and continues to be certified by a third-party lab. The greenhouse gas inventory check has been performed according to ISO14064-1 since 2022.

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons						
	Yes	No	Summary description							
			ISO-14001:2015							
(2) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?	V		FOCI is committed to reduced resource consumption, such as energy efficiency, water resource conservation management, waste and resource recovery management, pollution discharge and control, and actively improves the recycling and reuse of recyclables or resources.	FOCI actively promotes energy reduction measures, selects equipment with high energy efficiency and energy-saving design, reduces energy consumption in terms of enterprises and products, and increases the use of renewable energy to optimize energy efficiency. The raw materials used by FOCI are in compliance with the European Union's RoHS, REACH, and halogen-free regulations to reduce the impact on the environment. The efforts put out for green manufacturing includes reducing unnecessary waste of resources, seeking waste reduction and reuse of defective products; working together in the upstream and downstream of the value chain to recycle and sharing packaging materials to maximize the benefits of circular economy.						
(3) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?	V		FOCI's environmental safety management system is established according to the ISO14000 standard. Daily management and total quality management (TQM) activities are combined with environmental safety management plan and the actual operation of the factory for the effect of implementation.	FOCI identifies feasible opportunities using the risk management mechanism and develops solutions. In terms of climate change mitigation, projects are developed based on green operations, energy management, carbon information disclosure, and green buildings; in terms of climate change adaptation, infrastructures are strengthened and sustainable operating capabilities built to start planning renewable energy construction and other measures.						
(4) Did the company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other	V		Historic data of water consumption and the total weight of waste are collected, and policies formulated for greenhouse gas reduction, water reduction or other waste management. Pay attention to the temperature control of the air conditioners in the business place and office at all times, and install an energy-saving control system to effectively use energy, hoping to achieve the goal of energy conservation and carbon	<p>The ISO14064 greenhouse gas inventory system was built in 2022, and it is expected to complete the third-party verification this year.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Total power used (MWH)</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>1618</td> </tr> <tr> <td>2022</td> <td>1553</td> </tr> </tbody> </table> <p>FOCI promotes various energy-saving measures, uses a variety of equipment featuring energy-saving design to reduce energy consumption, and formulates plans to save electricity, and reduces electricity consumption to optimize</p>	Year	Total power used (MWH)	2021	1618	2022	1553
Year	Total power used (MWH)									
2021	1618									
2022	1553									

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons																	
	Yes	No	Summary description																		
wastes?			reduction.	<p>energy efficiency. The power consumption for products in 2022 will be reduced by 4% compared with 2021. The future target (for 2023-2026) will be to reduce the power consumption per unit product by 8% compared with 2022, and improve the energy efficiency. The raw materials used by FOCI are in compliance with the European Union's ROHS regulations, including reduced material use and recycling, the reduction of pollution caused by manufacturing products to reduce environmental impacts, the reduction of unnecessary waste of resources in green manufacturing, the search for waste reduction and recycling technology development, and recycling and sharing packaging materials as a joint effort in the upstream and downstream of the value chain.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Total water used (1000 tons)</th> <th>Water used per process area (ton/m<sup>2</sup>)</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>12</td> <td>1.266</td> </tr> <tr> <td>2022</td> <td>11.5</td> <td>1.322</td> </tr> </tbody> </table> <p>FOCI promotes water-saving improvement measures, including controlling the start-up time of cooling towers to greatly reduce water consumption, reducing water used for toilet flushes by a half and replacing faucets with ones with water-saving labels, etc. The management of water resources utilization and water-saving technology implementation helps save approximately 500 tons of water, a decrease of 4%. The future target (for 2023-2026) will be to reduce total water consumption by 8% compared with 2022, and focus on water recycling and energy- and water-saving devices.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Hazardous industrial</th> <th>General industrial wastes (ton)</th> <th>Production per unit product</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Year	Total water used (1000 tons)	Water used per process area (ton/m <sup>2</sup> )	2021	12	1.266	2022	11.5	1.322	Year	Hazardous industrial	General industrial wastes (ton)	Production per unit product				
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Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons			
	Yes	No	Summary description		waste s (ton)		(KG)
				2021	1.12	13.3118	2.63
				2022	0.17	11.9806	2.15
				<p>"Zero garbage" is FOCI's goal for waste management. Efforts will continue to reduce waste every year, use raw materials purchased from ROHS products and replace hazardous products, and recycle what can be used in recycling to achieve the goal of "building a zero-waste society".</p> <p>In 2022, FOCI's waste production was 53,877.17 tons and the output per unit of product decreased by 10% compared with 2021; the annual goal of water reduction was reached.</p>			
4. Social issues							
(1) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	V		FOCI's management policies and operating procedures are formulated based on international human rights conventions and the laws and regulations of the Republic of China to protect equal rights to work in terms of race, gender, and religion.	FOCI recognizes and voluntarily observes internationally recognized human rights standards such as the "Universal Declaration of Human Rights", "UN Global Compact", "United Nations Guiding Principles on Business and Human Rights", "International Labour Organization", and respects the protection stipulated in the Bills of Human Rights, and meets the requirements of the RBA for human rights.			
(2) Has the Company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee	V		FOCI has working rules and employee management regulations covering the basic wages, working hours, vacations, pension, labor and health insurance payments, occupational accident compensation of FOCI's employees, all of which comply with the applicable provisions of Labor Standards Act. The employee welfare committee is established to operate through members elected by	<p>Employees' salaries reflect business performance</p> <p>FOCI's employee remuneration is distributed according to the company's Articles of Incorporation at 5%-15% of the company's current year profit.</p> <p>Employee benefits</p> <p>1. FOCI has an employee welfare committee in charge of activities such as year-end banquet, factory anniversaries, and company travels, and provides birthday gift certificates, wedding gifts, and maternity subsidies.</p>			

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
salary/compensation?			employees for welfare matters; the company's remuneration policy is based on personal ability, contribution to the company, and work-related performance, which are positively correlated with business performance.	<p>2. Health examination better than legally required is provided.</p> <p>3. FOCI has facilities for basketball, badminton, table tennis, billiards and other sports; all employees are encouraged to establish sports clubs.</p> <p>4. Flexible check-in and -out times are available for employees to choose from.</p> <p>Workplace Diversity and Equality</p> <p>1. A maternal health protection plan is in place to provide comprehensive health measures for female employees. Breast-feeding room is provided, and professional doctors and nurses are hired to provide health education advices.</p> <p>2. As a respect the religious needs, employees are allowed for religious activities in the employees' lounge within a reasonable timeframe.</p>
(3) Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?	V		FOCI provide employees with a safe and sound workplace environment, and follows applicable laws and regulations. Company regulations, such as "Rules for Labor Safety and Health", "Rules for Fire Management ", and "Rules for Hazardous Chemical Substance Management", are established, along with relevant work rules, to prevent occupational accidents; drills are carried out regularly (twice a year) on fire regulations and emergency response to disasters, and health examination provided for all employees, lectures and courses on physical and mental health given from time to time, and events like family days and employee travel organized. In addition, the company has an employee welfare committee responsible for employee welfare measures and subsidies. Labor insurance, national health insurance, and group insurance are also provided in accordance with applicable	<p>Occupational Safety and Health Policy</p> <p>FOCI regard the safety and health of employees as the greatest asset. Therefore, protecting the health of employees and avoiding accidents and property losses is the goal of the company. Maintaining a safe and hygienic working environment and establishing a safety and health system with full participation are the tasks of the management at all levels. It is the responsibility of the management to actively participate in the safety and health work and the obligation of every employee to follow the company's safety and health regulations. All work rules of FOCI must comply with the applicable safety and health laws and regulations. The safety and health rights and responsibilities are clearly stipulated and their performance evaluated, with the participation and efforts of all employees to establish a safe working environment. FOCI is proud to say that 0 occupational accident occurred in 2022. The goal of "zero accidents in the workplace" was achieved and awarded the certificate of accident-free working hours by the</p>

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>laws, so as to protect the rights and interests of employees and fully support the balanced development of employees' body, mind and soul.</p>	<p>government as a commendation. All employees and the company are encouraged to minimize the risk of harm.</p> <p><b>Work environment monitoring</b> Protect workers from harmful substances in the workplace and provide a safe working environment for labor. The monitoring of the working environment is carried out every six months according to the Occupational Safety and Health Act.</p> <p><b>Engineering control and improvements</b> are carried out for areas that do not comply with regulations and are exposed to hazards. The work environment inspections verified the compliance with applicable regulations and no defect was found in 2021 and 2022.</p> <p><b>Emergency Response Drill</b> FOCI initiate emergency response drills every year to prevent occupational accidents and implement employee response, and conducts on-site simulation drills for hazards such as fires, power outages, and water outages. It is hoped that the hazards and losses can be minimized if the real situation occurs.</p> <p><b>Occupational Safety and Health Program</b> FOCI shall formulate occupational safety and health management plans according to the scale and nature of its business units; and set up safety and health organizations and personnel for safety and health management and autonomous inspections. The plans should include other mechanical equipment and operations with potential hazards in the business unit as much as possible in addition to those required by the Rules for Occupational Safety and Health Management. Autonomous inspections or spot checks, dynamic inspections, and patrols on an annual, monthly, and daily basis shall be carried out to ensure that the equipment and working environment</p>

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
				are safe and sound.  Safety training and propaganda FOCI provide regular safety training in, for example, occupational safety training, chemical hazard awareness, prevention of illegal infringement in the performance of duties, in order to prevent employees from being unconsciously exposed to hazardous working environments due to lack of education, training and awareness, resulting in accidents and serious physical and mental injuries.
(4) Has the Company established effective career development training programs for employees?	V		FOCI focuses on long-term talent cultivation, and will plan and arrange various internal and external training programs according to the needs of the organization, departments and employees to improve and update the knowledge and skills of employees, and build a rich human capital. For ability development, both the cultivation of core professional capabilities and the balanced development of employees' body and mind are taken into account.	FOCI has a plan for complete functional training for managers and colleagues at all levels, including newcomer training, professional advanced training, supervisor training, etc., to help employees continue to learn and grow through multiple learning methods, and introduce training courses related to the development of corporate ethics beliefs to cultivate employees' key competencies. A total of 720 people completed career training in 2022, with a total of 1955 hours. Personal annual capacity development plans are discussed and developed between supervisors and employees every year during the regular performance interviews. We help employees tailor the best development plans through regular inspection and feedback.
(5) Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?	V		Applicable laws and international standards are followed for FOCI's marketing and labeling of products and services. For the products sold, a self-declaration is issued according to customer needs, including compliance with REACH, RoSH, halogen-free requirements and other applicable international regulations. The privacy of customers is subject to confidentiality agreements and	FOCI's products comply with the requirements of international environmental regulations, including REACH, RoSH, halogen-free requirements and other applicable international regulations, and have been certified for UL, CE, and other safety certifications in accordance with the requirements of the products and sales regulations. FOCI has the Rules for Personal Data Protection Management in place, strictly abides by the Trade Secret Act, and reaches confidentiality clauses and contracts

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>Personal Data Protection Act. A customer service unit and a special area on FOCI's website for stakeholders are provided to protect consumer rights and interests and serve as channels for complaints.</p>	<p>with customers and suppliers. Customer's data is protected through the internal audit of personal data, external verification, crisis prevention and training. FOCI has the Rules for Outgoing Information Management for the distribution of external information, and strictly abides by relevant government regulations. External advertisements and web page information all comply with legal requirements. FOCI's sales department of the company checks and confirms the implementation of customer policies from time to time, receives and handles customer complaints, and assists front-line business colleagues in customer complaints. They have done a good job in safeguarding customer rights and interests.</p>
<p>(6) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?</p>	V		<p>The "<u>Supplier Management Procedure</u>" and "<u>RoHS and REACH Management Procedure</u>" are established for supplier management. Annual assessments on important suppliers' environmental protection and safety and health management systems and their performance are conducted. Suppliers are required to follow applicable specifications on issues such as environmental protection, occupational safety and health, or labor rights.</p>	<p>An evaluation team is established consisting of personnel from engineering, R&amp;D, quality assurance, and procurement, or production management to conduct written and field evaluations of suppliers, with the emphasis on ensuring quality and product safety. Audits on quality management and hazardous substance management are conducted regularly and from time to time on suppliers doing business with FOCI. Annual assessments of important suppliers' environmental protection and safety and health management systems and their performance are performed as well. With its influence, FOCI is working hard through supply chain management to set an example for major suppliers in terms of environmental protection and safety management, ensuring that suppliers comply with environmental protection, safety, and health regulations. At the same time, raw material suppliers are required to issue a "Green Product Declaration", declaring that their raw materials are in compliance with the regulations to ensure safe use. Suppliers are asked</p>

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
				to observe applicable laws and social norms, ensure information security, evaluate human rights, labor safety and health, and corporate social responsibility performance. Only qualified suppliers are included in the evaluation. Most of FOCI's domestic and foreign suppliers have a long-term cooperative relationship with FOCI. If a supplier is suspected of any negative impact on the environment, labor conditions, human rights, or society, its contract with FOCI may be terminated or cancelled.
5. Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above?		V	FOCI has the " <u>Guidelines for Sustainable Development Practice</u> " in place. In addition to timely revising relevant laws and regulations, it also actively participates in environmental protection, social services and caring, and sponsors public welfare activities to fulfill corporate social responsibility with practical actions.	Established per legal requirements
<p>6. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company's operations:</p> <ol style="list-style-type: none"> <li>1. FOCI has the Guidelines for Sustainable Development Practice, which are disclosed on the company website. Visit the "Enterprise Sustainable Development" section on FOCI's website at <a href="http://www.foci.com.tw">http://www.foci.com.tw</a>.</li> <li>2. FOCI's Guidelines for Sustainable Development Practice cover project principles such as compliance with laws and regulations, freedom of employment, treatment and discrimination, salary and benefits, health and safety, environmental protection, communication mechanisms, ethics, corporate governance, and promotion participation.</li> </ol>				
<p>7. Other important information to facilitate better understanding of the company's promotion of sustainable development:</p> <ol style="list-style-type: none"> <li>1. All FOCI's employees are encouraged to care about environmental protection affairs, save water and electricity energy in the factory area, carry out resource classification and recycling, and prepare their own utensils as a response to government's energy-saving and carbon-reduction actions.</li> <li>2. A stairwell lighting improvement plan is carried out at FOCI's office building carried out, replacing the stairwell lighting with LED sensor bulbs, reducing electricity consumption by 831.6 kWh per month.</li> <li>3. FOCI sponsored the "Family Support 55 Lucky Fortune Dance" fair of Hsinchu Center for Children and Families in 2022.</li> <li>4. FOCI sponsored and donated the service funds of the Hsinchu Catholic Charity Social Welfare Foundation in 2022.</li> </ol>				

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
<p>5. FOCI sponsored the Hsinchu City Catholic Charity Social Welfare Foundation's Christmas charity event in 2022.</p> <p>6. FOCI joined force with the Down Syndrome Foundation to organize the "FOCI Charity Sale" in 2022.</p> <p>7. In 2022, FOCI donated the rent of the meditation camp of Dharma Drum Mountain Leasing Company to Dharma Drum Mountain for free use.</p>				

(6) Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons:

**Implementation of ethical corporate management**

Evaluation item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary description	
<b>1. Establishment of ethical corporate management policies and programs</b>				
(1) Does the company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?	V		The "Code of Integrity Management", "Code of Ethics for Employees" and "Guidelines for Operating Procedures and Behaviors of Integrity Management" have been established and approved by the board of directors. With the business philosophy of integrity, transparency and responsibility in mind, FOCI formulates policies based on integrity, and establishes good corporate governance and risk control mechanisms to create a sustainable business environment.	No deviation
(2) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPE Listed Companies?	V		The "Code of Integrity Management" stipulated by FOCI prohibits in detail that FOCI's directors, managers and all employees from engaging in any activities with a higher risk of integrity breach in Paragraph 2, Article 7 of the " Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies "	No deviation
(3) Does the company clearly set out the operating procedures, behavior guidelines, and	V		The "Guidelines for Operating Procedures and Behaviors of Integrity Management" have been established	No deviation

Evaluation item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPE x Listed Companies and the Reasons
	Yes	No	Summary description	
punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?			and approved by the board of directors. The Guidelines specifically regulate matters that require the attention of FOCI's employees when performing business, including project implementation procedures, punishment for violations and appealing system. The Guidelines are communicated with all employees and embodied in daily business operations.	
<b>2. Ethical Management Practice</b>				
(1) Does the company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts?	V		FOCI conduct business activities in a fair and transparent manner based on the principle of honest operation. Before doing business, we consider the legitimacy of the transaction object and any previous misconducts, and avoid trading with those who have previous dishonest behaviors. FOCI sign a contract with others, which includes compliance with the integrity management policy and clauses that the counterparty of the transaction may terminate or cancel the contract at any time if any dishonest behavior is involved.	No deviation
(2) Has the company set up a dedicated unit to promote ethical corporate management under the board of directors, and does it regularly (at least once a year) report to the board of directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?		V	FOCI do not have a full-time (part-time) unit for corporate integrity management. However, the responsibilities are distributed among company departments, and FOCI spares no effort in fulfilling corporate integrity management responsibilities.	Not established; but the responsibilities are distributed across all departments.
(3) Has the company established policies to prevent conflict of interests, provided appropriate	V		FOCI's "Code of Integrity Management" stipulates the code of conduct to prevent conflicts of	No deviation

Evaluation item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPE x Listed Companies and the Reasons
	Yes	No	Summary description	
communication and complaint channels, and properly implemented such policies?			interest, and a mailbox is established to provide a smooth channel for reporting.	
(4) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?	V		An effective accounting system and internal control system are established to ensure the implementation of integrity management, and internal auditors carry out inspections of the compliance with the preceding systems.	No deviation
(5) Does the company provide internal and external ethical corporate management training programs on a regular basis?	V		Internal and external education, training and promotion of integrity management are provided on a regular basis.	No deviation
<b>3. Implementation of Complaint Procedures</b>				
1) Has the company established specific whistle-blowing and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistle-blowers?	V		The "Rules for Reporting Illegal or Unethical/Dishonest Behaviors" are established to provide specific reporting and reward systems, convenient reporting channels, and appropriate personnel for handling reports.	No deviation
(2) Has the company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner?	V		The investigation standard operating procedures are specified in FOCI's whistleblowing rules for accepting whistleblowing matters and related confidentiality mechanisms.	
(3) Has the company adopted proper measures to protect whistle-blowers from retaliation	V		FOCI has a mailbox to receive anonymous suggestions to protect whistleblowers from negligence due	

Evaluation item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
for filing complaints			to whistleblowing.	
<b>4. Strengthening Information Disclosure</b>				
(1) Does the company disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?	V		The "Code of Integrity Management" is disclosed in the investor relations section of FOCI's website TWSE MOPS.	No deviation
5. If the company has adopted its own ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviations between the principles and their implementation: the "Code of Integrity Management" is established and its operations exhibit no deviation from the guidelines established.				
6. Other important information to facilitate a better understanding of the status of operation of the company's ethical corporate management policies:				
1. The "Code of Integrity Management" is reviewed and revised in the board directors' meeting when the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies are amended.				
2. FOCI has the " Management Rules to Prevent Insider Trading " in place, clearly stipulating that directors, managers and employees shall not disclose the important internal information they know to others, and shall not inquire or collect information related to personal positions from those who know FOCI's internal material information. Unpublished internal material information learned not from performing business activities shall not be disclosed to others.				

- (7) The way to search for corporate governance standards and relevant regulations, if established, shall be disclosed:  
Adhering to the spirit of the "Practice Code of Corporate Governance for Listed and OTC Companies", FOCI has established the "Code of Integrity Management", "Corporate Social Responsibility Code", "Corporate Governance Practice Code", "Internal Material Information Handling Procedures", "Rules of Procedures for Shareholders' Meetings", " Rules of Procedure for Board of Directors Meetings", "Remuneration Committee Organization Regulations", "Whistleblowing System" and other relevant regulations, in order to realize corporate governance. For the FOCI's corporate governance codes and related regulations, please visit FOCI's website (<http://www.foci.com.tw>) or TWSE MOPS.
- (8) Other important information that helps improve the understanding of FOCI's governance shall be disclosed as well:  
The "Management Rules to Prevent Insider Trading" and "Internal Material Information Handling Procedures" are established and disclosed on FOCI's website at <http://www.FOCI.com.tw>. There is also a section dedicated to investor relationship to help investor learn more about how FOCI operates in terms of corporate governance.
- (9) The following shall be disclosed for the implementation of internal control system:
1. Internal control statement: see Attachment 1.
  2. The accountant's review report shall be disclosed if an external account is hired for review on the internal control system: none
- (10) In the most recent year and as of the date the annual report is published, if FOCI and any of its employees have been punished according to law, or FOCI has punished any of its employees for violating the provisions of the internal control system, the punishment, main deficiencies and improvement shall be listed: none.
- (11) Important resolutions of shareholders meeting and board of directors in the most recent year and as of the date the annual report is published
1. Important resolutions in the shareholders meeting on 27 May 2022:

Agenda	Implementation
1. Approval of 2021 business report and financial report	Resolution approved.
2. Approval of profit distributions for 2021	The earning distribution for 2021 was approved. A cash dividend of NT\$ 1.6 per share was approved. 2 Jul 2022 was selected as the distribution date of cash dividends and the dividends were distributed on 20 Jul 2022.
3. Approval of the partial amendment of FOCI's "Articles of Incorporation"	The partial amendment of FOCI's "Articles of Incorporation" was approved.
4. Approval of the partial amendment of FOCI's "Regulations Governing the Acquisition and Disposal of Assets"	The partial amendment of FOCI's "Regulations Governing the Acquisition and Disposal of Assets" was approved.

2. Material resolutions of board of directors' meetings:

Meeting date	Important resolutions
4 <sup>th</sup> meeting, 11 <sup>th</sup> term 24 Feb 2022	<ul style="list-style-type: none"> <li>(1) FOCI's board director and employee remuneration distributions for 2021</li> <li>(2) FOCI's business report and financial report for 2021</li> <li>(3) FOCI's earning distribution for 2021</li> <li>(4) Review on the effectiveness of internal control system and proposal of "internal control system statement"</li> <li>(5) Proposed partial amendment of FOCI's "Articles of Incorporation"</li> <li>(6) Proposed partial amendment of FOCI's "Guidelines for Company Governance Practice"</li> <li>(7) Proposed partial amendment of FOCI's "Guidelines for Corporate Social Responsibility Practice"</li> <li>(8) Proposed partial amendment of FOCI's "Regulations Governing the Acquisition and Disposal of Assets"</li> <li>(9) Change of FOCI's new financial and accounting heads</li> <li>(10) Approval of FOCI's company seal keeper</li> <li>(11) Matters of 2022 FOCI's shareholders' meeting</li> <li>(12) Determination of the benchmark date for FOCI's second unsecured conversion of corporate bonds and issuance of new shares for capital increase</li> <li>(13) FOCI's investment proposal</li> <li>(14) Disposal of land use rights and buildings proposed by a FOCI's subsidiary</li> <li>(15) Review of FOCI's proposal of "target incentive program"</li> </ul>
5 <sup>th</sup> meeting, 11 <sup>th</sup> term, 5 May 2022	<ul style="list-style-type: none"> <li>(1) FOCI's board director remuneration distributions for 2021</li> <li>(2) FOCI's manager remuneration distributions for 2021</li> <li>(3) FOCI's greenhouse gas inventory and verification program</li> <li>(4) FOCI's investment proposal</li> <li>(5) Rotation of FOCIs' CPAs</li> </ul>
6 <sup>th</sup> meeting, 11 <sup>th</sup> term 4 Aug 2022	<ul style="list-style-type: none"> <li>(1) FOCI's consolidated financial report for Q2, 2022</li> <li>(2) Equity restructuring of a company invested by FOCI</li> <li>(3) Proposed endorsement for a FOCI's subsidiary</li> <li>(4) Request to financial institute(s) for line of credit</li> </ul>
7 <sup>th</sup> meeting, 11 <sup>th</sup> term 3 Nov 2022	<ul style="list-style-type: none"> <li>(1) Appointment of FOCI's financial and accounting heads</li> <li>(2) FOCI's consolidated financial report for Q3, 2022</li> <li>(3) FOCI's business plan for 2023</li> <li>(4) FOCI's audit plan for 2023</li> <li>(5) Capital decrease for a FOCI's subsidiary</li> <li>(6) Approval of FOCI's company seal keeper</li> <li>(7) Amendment of FOCI's "Regulations Governing Procedure for Board of Directors Meetings"</li> <li>(8) Amendment of FOCI's "Procedure for handling internal material information"</li> </ul>

	<p>(9) Evaluation of FOCI's CPAs' independence and competency</p> <p>(10) Determination of the benchmark date for FOCI's second unsecured conversion of corporate bonds and issuance of new shares for capital increase</p> <p>(11) FOCI's manager year-end bonus distributions for 2022</p> <p>(12) Request to financial institute(s) for short-term general credit limit</p>
8 <sup>th</sup> meeting, 11 <sup>th</sup> term 23 Feb 2023	<p>(1) FOCI's capital expenditures</p> <p>(2) FOCI's board director remuneration distributions for 2022</p> <p>(3) FOCI's manager remuneration distributions for 2022</p> <p>(4) FOCI's earning distribution for 2022</p> <p>(5) Review on the effectiveness of internal control system and proposal of "internal control system statement"</p> <p>(6) Proposed partial amendment of FOCI's "Articles of Incorporation"</p> <p>(7) Appointment of FOCI's CPAs for 2023</p> <p>(8) Matters of 2023 FOCI's shareholders' meeting</p> <p>(9) FOCI's greenhouse gas inventory and verification program</p> <p>(10) Request to financial institute(s) for line of credit</p>

(12) Contents of different opinions from board director or supervisor on any important resolution made by the board of directors meeting with record or written statement in the most recent year and as of the date the annual report is published: none

(13) Summary of resignation or dismissal of board chairman, general manager, VPs, head of accounting, head of finance, head of internal auditing, head of corporate governance and head of R&D in the most recent year and as of the date the annual report is published: none

Resignation or dismissal of company's important employees

1 Apr 2023

Title	Name	Date of employment	Date of relief	Reason for resignation or dismissal
Finance and Accounting Head	Yen-Ling Wu	25 Feb 2022	16 Sep 2022	Reassignment

## 5. Information on the professional fees of the attesting CPAs (external auditors):

### Audit fees for CPA

in NT\$ 1,000

Name of accounting firm	Name of CPA		Audited period	Audit fees	Non-audit fees	Total	Remark
PwP Taiwan	Chen, Ya-Hui	Li, Tian-Yi	Fr. 1 Jan to 31 Dec 2022	2,937	1,205	4,142	

The non-audit fees cover (1) NT\$ 300,000 for transfer pricing (TP); (2) NT\$ 350,000 for business income tax auditing and attestation; and(3) NT\$ 505,000 for capital reduction project of subsidiary services(4) NT\$ 50,000 for business registration and tax incentives services

1. When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: not applicable.
2. When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: not applicable.

## 6. Information on replacement of certified public accountant

(1) Regarding the former certified public accountant: none

### 6. Accountant Replacement Information:

(1) Regarding the predecessor accountant:

Replacement date	On May 5, 2022, the resolution of the board of directors was passed
Replacement reasons and descriptions	In cooperation with the internal position adjustment of PwC Taiwan, the certified accountants have been changed from Ya-Huei Cheng and Yu-Kuan Lin to Ya-Huei Cheng and Tien-Yi Li since the first quarter of 2022.
The appointing person or accountant has terminated or refused to accept the appointment	N/A
Opinions and reasons for audit reports other than unqualified opinions issued within the latest two years	N/A
Disagreement with the issuer	N/A
Other disclosures (Items to be disclosed from Item 1-4 to Item 1-7 of Paragraph 6 of Article 10 of the Code)	N/A

Replacement date	On February 23, 2023, the resolution of the board of directors was passed
Replacement reasons and descriptions	In cooperation with the internal position adjustment of PwC Taiwan, the certified accountants have been changed from Ya-Huei Cheng and Tien-Yi Li to Shu-Chian Bai and Tien-Yi Li since the first quarter of 2023.

The appointing person or accountant has terminated or refused to accept the appointment	N/A
Opinions and reasons for audit reports other than unqualified opinions issued within the latest two years	N/A
Disagreement with the issuer	N/A
Other disclosures (Items to be disclosed from Item 1-4 to Item 1-7 of Paragraph 6 of Article 10 of the Code)	N/A

(2) Regarding the successor accountant:

Firm name	PwC Taiwan
Accountant name	Accountant Ya-Huei Cheng, and Accountant Tien-Yi Li
Appointment date	On May 5, 2022, the resolution of the board of directors was passed
Consultation matters and results on the accounting treatment method or accounting principles of specific transactions and the possible issuance of financial reports before appointment	N/A
Written opinion of the successor accountant on matters with different opinions from the predecessor accountant	N/A

Firm name	PwC Taiwan
Accountant name	Accountant Shu-Chian Bai and Accountant Tien-Yi Li
Appointment date	On Feb 23, 2023, the resolution of the board of directors was passed
Consultation matters and results on the accounting treatment method or accounting principles of specific transactions and the possible issuance of financial reports before appointment	N/A

Written opinion of the successor accountant on matters with different opinions from the predecessor accountant	N/A
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(3) Reply letter from the predecessor accountant to Item 1 and Item 2-3 of Paragraph 6 of Article 10 of the Code: None.

**7. Where the company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed: none**

**8. Any transfer of equity interests and/or pledge of or change in equity interests (during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report) by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.**

(1) Change in equity interests of board directors, supervisors, managers and major shareholders  
in shares

Title	Name	2022		Up to 1 Apr 2023	
		No. of shareholdings increased / decreased	No. of pledged shares increased / decreased	No. of shareholdings increased / decreased	No. of pledged shares increased / decreased
Board chairman	Song-fure Lin	504,000	0	117,000	0
Board director	Lee-chiou Chang	0	0	0	0
Board director	Beolym Corp.	0	0	0	0
	Legal representative: Hsin-tse Tsai	0	0	0	0
Board director	Ting-ta Hu	133,000	0	152,000	0
Ind. director	Mei-huei Li	0	0	0	0
Ind. director	Li-jen Kuo	0	0	0	0
Ind. director	Wang, Tzu-Ming	0	0	0	0
GM	Ting-ta Hu	133,000	0	152,000	0
GM of FOCI Shanghai and Zhongshan	Chun-ying Kung	0	0	0	0
VP	Ching-wei Wei	0	0	0	0
VP	Shy-jge Wang	0	0	0	0

Sr. director	Shi-Hsiung Chu	(8,000)	0	(2,500)	0
Director Head of finance Head of accounting	Ya-fang Yu (Employed on 3 Nov 2022)	36,000	0	30,000	0

Note 1: in office as of the date the annual report is published.

- (2) Where the counterparty in any such transfer of equity interests is a related party: none
- (3) Where the counterparty in any such pledge of equity interests is a related party: none

**9. Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another**

1 Apr 2023; in shares / %

Name	Shareholdings by one's own		Shareholdings by spouse and/or minor children		Shareholdings in others' names		Name and relationship if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another		Remark
	No. of shares	Shareholding %	No. of shares	Shareholding %	No. of shares	Shareholding %	Name	Relationship	
Song-fure Lin	4,743,367	5.37%	0	0	113,000	0.13%	none	none	
Browave Corporation	4,020,000	4.55%	0	0	0	0	none	none	
Hui-chen Wulai	2,443,000	2.77%	0	0	0	0	none	none	
Beolym Corp.	2,268,000	2.57%	0	0	0	0	none	none	
Chen-I Chu	1,130,000	1.28%	0	0	0	0	none	none	
Chin-sheng Sun	1,034,000	1.17%	0	0	0	0	none	none	
Yu-fen Chang	815,000	0.92%	0	0	0	0	none	none	
Lee-chiou Chang	800,000	0.91%	0	0	0	0	none	none	
Chun-ying Kung	728,065	0.82%	0	0	0	0	none	none	
Wan-ling Chen	680,102	0.77%	0	0	0	0	none	none	

**10. The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the company**

31 Dec 2022; in 1,000 shares/%

Investee enterprises (note 1)	Investment by FOCI		Investment by directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by FOCI		Total investment	
	Shares	Shareholding %	Shares	Shareholding %	Shares	Shareholding %
FIOPTec Inc. (Cayman)	15,050	100%	0	0	15,050	100%
Shanghai FOCI Fiber Optic Communications, Inc (note 2)	0	0	0	100%	0	100%
Jiangxi FOCI Fiber Optic Communication, Inc. (note 3)	0	0	0	100%	0	100%
Zhongshan FOCI Fiber Optic Communications, Inc. (note 4)	0	0	0	100%	0	100%
BKS Tec Corp.	6,000	11.76%	0	0	6,000	11.76%

Note 1: an investee company valued based on the equity method.

Note 2: invested through FIOPTec Inc. (Cayman).

Note 3: invested through FIOPTec Inc. (Cayman).

Note 4: invested through FOCI Shanghai.

## IV. Information on Capital Raising Activities

### 1. Capitals and stock shares

#### (1) Source of capital stock

1Apr 2023; in 1,000 shares/NT\$ 1,000

Date	Issue price	Authorized stock		Paid-in capital		Source of capital stock	Remark	
		Shares	Amount	Shares	Amount		Shares appropriated from properties other than cash	Others
Jun 1995	NT\$ 10	20,000	200,000	7,913	79,130	Company founding	None	Yuan Shang 08538, dated 14 Jun 1995
Oct 1995	NT\$ 10	20,000	200,000	15,216	152,161	Cash capital increase	None	Yuan Shang 16433, dated 30 Oct 1995
Jul 1996	NT\$ 10	20,000	200,000	17,850	178,500	Cash capital increase	None	Yuan Shang 12662, dated 5 Aug 1996
Dec 1996	NT\$ 10	20,000	200,000	19,980	199,800	Cash capital increase	None	Yuan Shang 00388, dated 14 Jan 1997
Mar 1997	NT\$ 20	35,000	350,000	35,000	350,000	Cash capital increase	None	Yuan Shang 05155, dated 31 Mar 1997
May 1998	NT\$ 30 NT\$ 10	110,000	1,100,000	56,720	567,200	Cash capital increase Capital increase out of capital reserves	None	Yuan Shang 013418, dated 9 Jun 1998
Sep 1999	NT\$ 10	110,000	1,100,000	68,894	689,844	Capital increase out of earnings Capital increase out of capital reserves	None	Yuan Shang 021177, dated 1 Oct 1999
Mar 2003	NT\$ 10	110,000	1,100,000	48,289	482,891	Capital reduction	None	Yuan Shang 920006306, dated 18 Mar 2003
Sep 2003	NT\$ 13	110,000	1,100,000	53,289	532,891	Cash capital increase	None	Yuan Shang 920027902, dated 30 Sep 2003
Feb 2011	NT\$ 35	110,000	1,100,000	59,952	599,521	Cash capital increase	None	Yuan Shang 6159, dated 10 Mar 2011
Sep 2011	NT\$ 10	110,000	1,100,000	60,027	600,270	Employee stock option transfer	None	Yuan Shang 25884, dated 1 Sep 2011
Apr 2012	NT\$ 10	110,000	1,100,000	60,139	601,391	Employee stock option transfer	None	Yuan Shang 11623, dated 17 Apr 2012
Sep 2012	NT\$ 10	110,000	1,100,000	60,404	604,041	Employee stock option transfer	None	Yuan Shang 1429, dated 9 Jan 2013
Aug 2013	NT\$ 10	110,000	1,100,000	60,529	605,290	Employee stock	None	Yuan Shang

						option transfer		23287, dated 2 Aug 2013
Dec 2013	NT\$ 10	110,000	1,100,000	62,094	620,940	Employee stock option transfer / Convertible bonds into shares	None	Yuan Shang 37766, dated 5 Dec 2013
May 2014	NT\$ 10	110,000	1,100,000	76,317	763,174	Convertible bonds into shares	None	Chu Shang 15714, dated 27 May 2014
Oct 2014	NT\$ 10	110,000	1,100,000	74,687	746,875	Cancellation of treasury shares	None	Chu Shang 30814, dated 24 Oct 2014
Dec 2014	NT\$ 10	110,000	1,100,000	75,855	758,549	Convertible bonds into shares	None	Chu Shang 36009, dated 1 Dec 2014
Apr 2015	NT\$ 10	110,000	1,100,000	76,005	760,055	Convertible bonds into shares	None	Chu Shang 9885, dated 9 Apr 2015
Aug 2015	NT\$ 10	110,000	1,100,000	76,599	765,991	Convertible bonds into shares	None	Chu Shang 24403, dated 25 Aug 2015
May 2016	NT\$ 10	110,000	1,100,000	77,599	775,991	Issuance of restricted stock awards	None	Chu Shang 13418, dated 18 May 2016
Nov 2016	NT\$ 10	110,000	1,100,000	77,494	774,941	Cancellation of restricted stock awards	None	Chu Shang 31555, dated 14 Nov 2016
May 2017	NT\$ 10	110,000	1,100,000	77,474	774,741	Cancellation of restricted stock awards	None	Chu Shang 14276, dated 26 May 2017
Mar 2019	NT\$ 10	110,000	1,100,000	85,407	854,070	Cancellation of restricted stock awards and convertible bonds into shares	None	Chu Shang 8376, dated 26 Mar 2019
May 2019	NT\$ 10	110,000	1,100,000	87,750	877,502	Convertible bonds into shares	None	Chu Shang 14592, dated 22 May 2019
Aug 2019	NT\$ 10	110,000	1,100,000	90,159	901,595	Convertible bonds into shares	None	Chu Shang 24306, dated 21 Aug 2019
Oct 2019	NT\$ 10	110,000	1,100,000	90,468	904,684	Convertible bonds into shares	None	Chu Shang 29830, dated 14 Oct 2019
Nov 2019	NT\$ 10	110,000	1,100,000	90,557	905,572	Convertible bonds into shares	None	Chu Shang 34026, dated 25 Nov 2019
Mar 2020	NT\$ 10	110,000	1,100,000	90,595	905,958	Convertible bonds into shares	None	Chu Shang 7074, dated 13 Mar 2020
Aug 2020	NT\$ 10	110,000	1,100,000	90,599	905,998	Convertible bonds into shares	None	Chu Shang 23842, dated 20 Aug 2020
Nov 2020	NT\$ 10	110,000	1,100,000	90,743	907,433	Convertible bonds into shares	None	Chu Shang 32598, dated 18

								Nov 2020
Jan 2021	NT\$ 10	110,000	1,100,000	86,743	867,433	Cancellation of treasury shares	None	Chu Shang 1831, dated 19 Jan 2021
Mar 2021	NT\$ 10	110,000	1,100,000	87,073	870,739	Convertible bonds into shares	None	Chu Shang 6733, dated 15 Mar 2021
Aug 2021	NT\$ 10	110,000	1,100,000	87,128	871,278	Convertible bonds into shares	None	Chu Shang 23821, dated 20 Aug 2021
Nov 2021	NT\$ 10	110,000	1,100,000	87,692	876,922	Convertible bonds into shares	None	Chu Shang 33419, dated 15 Nov 2021
Mar 2022	NT\$ 10	110,000	1,100,000	88,314	883,145	Convertible bonds into shares	None	Chu Shang 07568, dated 11 Mar 2022
Nov 2022	NT\$ 10	110,000	1,100,000	88,337	883,337	Convertible bonds into shares	None	Chu Shang 37207, dated 18 Nov 2022

1Apr 2023 ; in shares

Type of shares	Authorized stock			Remark
	Outstanding shares	Unissued shares	Total	
Registered common shares	88,336,606	21,663,400	110,000,000	OTC stocks

## (2) Shareholders' structure

1Apr 2023; in shares

Shareholder's structure Qty	Government institutes	Financial institutes	Other legal persons	Foreign institutes and foreigners	Individual persons	Total
No. of holders	0	2	151	37	25,690	25,880
Shareholdings	0	269,000	4,891,163	3,705,006	79,471,437	88,336,606
Shareholding %	0	0.30%	5.54%	4.19%	89.97%	100%

## (3) Diffusion of ownership

### 1. Common stocks

Face value NT\$ 10 per share  
1Apr 2023; in shares

Shareholding class	No. of holders	Shareholdings	Shareholding %
1 ~ 999	16,911	91,932	0.10%
1,000 ~ 5,000	6,881	14,419,040	16.32%
5,001 ~ 10,000	1,043	8,592,320	9.74%
10,001 ~ 15,000	270	3,477,040	3.94%
15,001 ~ 20,000	244	4,585,530	5.19%
20,001 ~ 30,000	182	4,799,430	5.43%
30,001 ~ 40,000	79	2,836,000	3.21%
40,001 ~ 50,000	61	2,923,000	3.31%
50,001 ~ 100,000	113	8,155,490	9.23%
100,001 ~ 200,000	52	7,520,900	8.51%
200,001 ~ 400,000	21	5,927,390	6.71%
400,001 ~ 600,000	12	5,714,000	6.47%
600,001 ~ 800,000	4	2,841,167	3.22%
800,001 ~ 1,000,000	1	815,000	0.92%
> 1,000,001	6	15,638,367	17.70%
Total	25,880	88,336,606	100.00%

2. Preferred stocks: not applicable

(4) List of principal shareholders

1Apr 2023; in shares

Name \ holdings of principal shareholder	Shareholdings	Shareholding %
Song-fure Lin	4,743,367	5.37%
Browave Corporation	4,020,000	4.55%
Hui-chen Wulai	2,443,000	2.77%
Beolym Corp.	2,268,000	2.57%
Chen-I Chu	1,130,000	1.28%
Chin-sheng Sun	1,034,000	1.17%
Yu-fen Chang	815,000	0.92%
Lee-chiou Chang	800,000	0.91%
Chun-ying Kung	728,065	0.82%
Wan-ling Chen	680,102	0.77%

(5) Stock price, net worth, surplus, dividends, and related information per share in the last two years

Unit: NT\$/thousand shares

Item		Year	2021	2022	As of April 1,2023
		Per share market price (note 1)	Highest		39.85
Lowest			22.05	21.45	22.6
Average			31.79	26.86	25.64
Net value per share (note 2)	Before distribution		19.84	18.80	N/a
	After distribution		18.24	18.30	
Per share surplus	Weighted average number of shares		87,271	88,319	
	Earnings per share (note 3)		2.31	0.53	
Per share dividends	Cash dividend		1.6	0.5(註 8)	
	Share Dividend	From retained earnings	-		
		From capital surplus	-		
	Accumulated unpaid dividends (note 4)		-	-	
ROI analysis	Price/earnings ratio (note 5)		13.76	50.68	
	Price/cash dividend ratio (note 6)		19.87	53.72	
	Cash dividend yield (note 7)		5.03%	1.86%	

\* If there is a capital increase allotment of surplus or capital reserve, the market price and cash dividend information retrospectively adjusted according to the number of issued shares shall be disclosed

Note 1: List common stocks' highest and lowest market prices each year, and calculate the average market price based on each year's transaction value and volume.

Note 2: Please refer to the number of issued shares at the end of the year and fill in the distribution according to the resolution of the following year's shareholders' meeting.

Note 3: If there is a retroactive adjustment due to gratis allotment, etc., the earnings per share before and after adjustment shall be listed.

Note 4: If the issuance conditions of equity securities stipulate that undistributed dividends in the current year may be accumulated and distributed in a surplus year, the accumulated unpaid dividends up to the current year shall be disclosed separately.

Note 5: P/E ratio = current year average closing price per share/earnings per share.

Note 6: Price/cash dividend ratio = current year average closing price per share/cash dividend per share.

Note 7: Cash dividend yield = cash dividend per share/current year average closing price per share.

Note 8: On February 23, 2023, the Company passed the resolution of the board of directors to distribute a cash dividend of NT\$0.5 per share.

Note 9: The net value per share and earnings per share should be filled with the information audited (reviewed) by accountants in the most recent quarter up to the date of publication of the annual report; the remaining columns should be filled with the data up to the date of publication of the annual report.

## (6) Company Dividend Policy and Implementation Status

Dividend policy stipulated in the Company's current Articles of Incorporation

According to the Company's Articles of Incorporation, if the Company makes a profit in the year, 5% to 15% should be allocated to employee remuneration and no more than 5% to director and supervisor remuneration. However, if the Company still has accumulated losses, it shall reserve the compensation amount in advance.

The board shall distribute employee, director, and supervisor remuneration of directors with the attendance of more than two-thirds of the directors and a resolution approved by more than half present and reported to the shareholders' meeting. The board of directors shall distribute the employee remuneration in stock or cash distribution. The distribution object may include employees of controlled or subordinate companies who meet certain conditions. The conditions and distribution method authorizes the board of directors to decide.

If there is any surplus in the Company's annual final accounts, it shall be distributed in the following order:

1. Tax payment.
2. Make up for losses in previous years.
3. Set aside 10% as the statutory surplus reserve (except when the statutory surplus reserve has reached the total capital).
4. Settlement or reversal of special surplus reserve according to laws and regulations.
5. If there is still a surplus, together with the accumulated undistributed surplus, the board of directors shall prepare a surplus distribution proposal and submit it to the shareholders' meeting for a resolution on distributing dividends to shareholders.

The Company shall distribute all or part of the dividends, bonuses, statutory surplus reserve, or capital reserve in cash upon the resolution of more than two-thirds of the directors present at the board of directors and the consent of more than half present and report to the shareholders' meeting. The provisions of the Articles of Incorporation related to the resolutions of the shareholders' meeting are not applicable.

The Company's dividend policy is determined under the Company Act and the Company's Articles of Incorporation and based on the Company's capital and financial structure, operating conditions, earnings, and the nature and cycle of its industry. Cash dividends are preferred in the distribution of surplus, and stock dividends can also be distributed. However, the distribution ratio of stock dividends should not exceed 50% of the total dividends for the year in principle.

2. The proposed distribution by the shareholders' meeting:

On February 23, 2023, the Company passed the resolution of the board of directors to distribute a cash dividend of NT\$0.5 per share, and the total dividend was NT\$44,168,303.

3. Significant change in dividend policy expectations: None.

- (7) The impact of the gratuitous allotment of shares proposed at this shareholders' meeting on the Company's operating performance and earnings per share: N/A.
- (8) Remuneration of employees, directors, and supervisors

1. The ratio or scope of employee dividends and remuneration for directors and supervisors as stated in the Company's Articles of Incorporation.

According to the Company's current Articles of Incorporation, if there is any profit in the year, 5% to 15% should be allocated as employee remuneration, and no more than 5% should be allocated to director and supervisor remuneration. However, if the Company still has accumulated losses, it shall reserve the compensation amount in advance.

The board shall distribute employee remuneration and remuneration to directors and supervisors of directors with the attendance of more than two-thirds of the directors and a resolution approved by more than half present and reported to the shareholders' meeting. The board of directors shall distribute the distribution of employee remuneration in the form of stock or cash distribution. The distribution object may include employees of controlled or subordinate companies who meet certain conditions. The conditions and distribution method authorizes the board of directors to decide.

2. The estimation basis for the current period's estimated remuneration of employees, directors, and supervisors, the basis for calculating the number of shares of employee remuneration based on stock distribution, and the accounting treatment when the actual distribution amount is different from the estimated amount:

(1) In 2022, the Company did not distribute employee remuneration in stock.

(2) The estimated amounts of employee remuneration and director remuneration payable by the Company in 2022 are NT\$5,600,000 and NT\$1,400,000, respectively. If the actual distribution amount changes, it will be handled according to the accounting estimate change, adjusted, and recorded in 2023.

3. When the board of directors approves the remuneration distribution:

(1) The amount of employee remuneration distributed in cash or stock and the remuneration of directors and supervisors. If there is any discrepancy from the estimated amount of recognized expenses in the year, the discrepancy, reason, and treatment shall be disclosed:

The board approved the Company's employee and director remuneration distribution in 2022 of directors on February 23, 2023. The distribution of employee and director remuneration is NT\$5,600,000 and NT\$1,400,000. The distribution ratios are 7.96% and 1.99%, respectively, all paid in cash, which does not differ from the 2022 estimates.

(2) The amount of employee remuneration distributed by stock and its proportion

to the total after-tax net profit and total employee remuneration in the current period's individual or individual financial report: Not applicable.

4. The actual remuneration distribution employees, directors, and supervisors in the previous year, and if there is a difference between the remuneration of employees, directors, and supervisors recognized, the amount of the difference, the reason, and the handling situation shall be stated:

The difference between the employee remuneration and director remuneration of NT\$17,000,000 and NT\$5,500,000 approved by the board of directors in 2021 and NT\$16,874,000 and NT\$6,221,000 recognized in 2021 is NT\$595,000. The main reason is that the distribution ratio is different, and the profit and loss in 2022 have been adjusted.

(9) Company buybacks:

(1) Company buybacks that have completed: none

(2) Company buyback in progress: none

**2. Information on the company's issuance of corporate bonds**

**(1) Handling of corporate bonds**

Types of corporate bonds	The second domestic unsecured convertible bonds
Issuance date	9/6/2018
Face value	NT\$100,000
Issuance and trading location	Taipei Exchange
Issuance price	Issued in total face value
Lump sum	NT\$400,000,000
Interest rate	Coupon rate 0%
Term	5-year term Maturity date: 9/6/112
Guarantee agency	None
Trustee	Mega International Commercial Bank
Underwriting agency	KGI Securities Co. Ltd.
Certification lawyer	Handsome Attorneys-at-Law Ya-wen Qiu
Certification accountant	PwC Taiwan Ya-Huei Cheng and Yu-Kuan Lin
Repayment method	Except for the holders of the convertible corporate bonds who are converted into common stocks of the Company under Article 10 of the Conversion Regulations or redeemed in advance by the Company under Article 18 or exercise the right to sell back under Article 19, the bonds will be repaid in one lump sum in cash upon maturity.
Outstanding principal	NT\$6,900,000 (as of April 1, 2023)

Terms of redemption or early settlement	Detailed issuance and conversion method		
Restrictions	Detailed issuance and conversion method		
Credit rating agency name, rating date, corporate bond rating results	None		
Other rights	Amount of common stock converted as of 4/1/2023	14,888,461 common shares converted The amount is NT\$148,884,610	
	Issuance and conversion (exchange or subscription) method	Details of the Company's second domestic issuance and conversion of unsecured convertible corporate bonds	
Issuance and conversion, exchange or subscription methods, issuance conditions on possible dilution of equity, and impact on existing shareholders' rights and interests	Based on the current outstanding balance and the current conversion price, it is estimated that 303,965 common shares can be converted, accounting for approximately 0.34% of the total number of issued shares.		
The name of the entrusted custodian of the exchange target	None		

**(2) Convertible corporate bond information**

Types of corporate bonds		The second domestic unsecured convertible bonds		
Item	Year	2021	2022	As of April 1, 2023
	Convertible corporate bond market price	Highest	162	135
Lowest		107	113.6	116.6
Average		126.89	131.43	118.32
conversion price		NT\$24.1 (Note 1)	NT\$22.7 (Note 2)	NT\$22.7
Issuance (handling) date and conversion price at the time of issuance		Date: 9/6/2018 Conversion price: NT\$26.8		
Fulfillment of conversion obligations		Issuance of new shares		

Note 1: Since July 3, 2021, the conversion price has been adjusted from NT\$25.10 to NT\$24.10

Note 2: Since July 2, 2021, the conversion price has been adjusted from NT\$24.10 to NT\$22.70

- 3. Issuance of preferred stocks: none**
- 4. Issuance of depository receipts: none**
- 5. Issuance of employee stock options: none**
- 6. Issuance of restricted stock awards: none**
- 7. Issuance of new stocks for merging or transferal of equities of other company: none**
- 8. Implementation of fund application plans:**

FOCI issued the second round of domestic unsecured convertible bonds at the amount of NT\$ 400,000,000. It was approved by the Financial Supervisory Committee with the letter numbered Ching Kuan Cheng 1070325679 and dated 24 Jul 1028. The application of funds is described below:

1. Bank loan payback  
FOCI paid NT\$ 40,000,000 to Mega International Commercial Bank, NT\$ 50,000,000 to CTBC Bank, and NT\$ 10,000,000 to Taipei Fubon Bank in the third quarter of 2018 as loan payback. The payback was 100% completed. The payback was finished in the third quarter of 2018.
  
2. Increase of working capital  
In the third quarter of 2018, FOCI's actual expenditure for increase of working capital was NT\$ 101,701,000, and the actual implementation progress was 33.90%; the actual expenditure for increase of working capital was NT\$ 198,299,000 and progress was 66.10% in the fourth quarter of 2018; as of the fourth quarter of 2018, the cumulative actual implementation progress is 100%. The project has been fully implemented in the fourth quarter of 2018.

## V. Overview of Operations

### 1. Description of business

#### (1) Scope of business

1. FOCI is engaged in the following services:

Design, manufacture, and sales of active and passive optical devices, such as optical fiber connectors, FC / SC / ST / LC / MU / SMA, hybrid fiber jumpers, beveled fiber jumpers, FA / MPO multi-core fiber jumpers, fiber stubs and pigtailed, single/multi-mode optical splitters, high-isolation wavelength-division multiplexers, narrow-bandwidth wavelength-division multiplexers, single-mode wavelength-division multiplexers, pump wavelength-division multiplexers, optical communications monitoring modules, optical add/drop multiplexers, composite/membrane-type DWDMs, compact wavelength-division multiplexers, coupler-type wavelength-division multiplexers, optical circulators, polarized/polarization-independent fiber isolators, fiber collimators, fixed or adjustable optical attenuators, PLC splitters, optical transceiver modules, active optical cables (AOCs), SiPh package, and co-package optics.

2. Major products and their percentage of sales

In: NT\$ 1,000; %

Item		Year		2022		2021	
		Amount	%	Amount	%		
Sales revenue	Fiber connectors (P)	21,814	1.35	28,947	1.46		
	Fiber jumpers (J)	1,234,993	76.20	1,563,732	78.65		
	Fiber couplers (CO)	73,856	4.56	89,394	4.49		
	Other passive optical fiber products	53,205	3.28	70,564	3.55		
	Micro-optical fiber devices (MW)	180,751	11.15	138,683	6.98		
	Others	45,526	2.81	84,893	4.27		
	Rental receipt	10,514	0.65	12,056	0.60		
	Total	1,620,659	100.00	1,988,269	100.00		

3. FOCI's current major new products and services:

Major products	Product specifications
Passive optical components	<ul style="list-style-type: none"> <li>● Optical fiber connectors</li> <li>● Full range of optical fiber jumpers</li> <li>● Optical isolators and circulators</li> <li>● Optical fiber array products</li> <li>● Optical fiber couplers</li> <li>● Multi-channel WDMs</li> <li>● PLC splitters</li> <li>● Integrated optical communications modules</li> </ul>
Optical fiber modules and integrated system	<ul style="list-style-type: none"> <li>● Integrated active and passive components and modules for optical fiber system</li> </ul>

	<ul style="list-style-type: none"> <li>● Active optical cables (AOCs)</li> <li>● Packaging and testing service</li> <li>● Others</li> </ul>
SiPh package	<ul style="list-style-type: none"> <li>● Optical communications component integration and packaging</li> <li>● Silicon optical component packaging</li> <li>● Other precision component packaging</li> </ul>

4. New products (services) on design desk:

- (1) PM FA packaging
- (2) Co-packaged optics (CPO)
- (3) PM coupler development
- (4) AOCs: USB3.2, USB4, DP Alt Type C, and HDMI 2.1 AOC

(2) Industry overview

1. Current status and development of the industry

It is said in Lightreading that the US is in an excited state of optical network development, as major players like Google and AT&T are going to push the demands for optical fibers to the peak in 2024-2026, and it is likely to last for a decade. The pandemic-driven global digital transformation drives the demands for cloud service and data analysis to a whole new level. The widespread distribution of 5G and increasing maturity of edge computing open up a wide spectrum of possibilities to shape the next generation network and even metaverse. The world is accelerating in terms of 5G development. Data shows that more than 200 5G networks are in business around the world. By renaming Facebook to Meta, Zuckerberg declared the embodiment of metaverse concepts in the application market. The communications industry is the cornerstone to drive the development of metaverse. The low latency makes 5G the center of communications for metaverse. As the 5G infrastructures start to pick up the pace, it is estimated be more than 5 billion metaverse users in 2030, with market growing to 13 trillion dollars.

The non-stop development of 5<sup>th</sup>-generation communications (5G), artificial intelligence (AI), internet of things (IoT), and metaverse (AR/VR) gives a boost to online data quantity and demands for broadband network. The Network website expects that low latency and “meshed optical network” will play a crucial supporting role in the development of metaverse applications. Studies have shown that network traffic accounts for nearly 20% of global IP traffic by 2022; by that time, the annual traffic is estimated to as many as 930 EB (Exabyte), which is 113 times more than 2021. If the development of metaverse applications is as explosive as expected, the Metaverse of Things (MoT) will become the hottest topic. Core networks worldwide will be completed totally transferred from copper cables to optical fibers. Optical communications systems, which are the backbone in this, have to keep growing in terms of

bandwidth. It is foreseeable that 400G optical network become the mainstream of backbone network in the next few years and take place of 100G-based infrastructures.

## 2. Correlation between up, mid, and downstream of the industry

FOCI is specialized in design, manufacture, and sales of optical communications devices. FOCI works in harmony with firms from up to downstream along the supply chain. In the industry, there is always a certain level of strategic alliance from materials at upstream, parts and components at midstream to instruments, modules or even subsystems at downstream. There are only a handful of companies in Taiwan that have the technology of vertical integration and mature technical capability. FOCI will be the next big thing in optical communication industry by integration among up, mid, and downstream clients for stronger technical and marketing abilities.

## 3. Product development trends

(1) The increasing diversity of services provided by telecommunications service operators will drive the growth of optical fiber network

As telecommunications service operators are transforming from providing traditional services of data transmission, online browsing, and email to real-time communications over social software, HDTV, video conferencing, online A/V service, online games, security surveillance, and telemedicine service, it is clear to see in the services launched by FTTX service providers that entertainment has become the main application service over optical fiber network. Broadband application service requires very large bandwidth to run. Telecommunication companies start to roll out inexpensive programs, which drive the increase in the demands for broadband application service.

(2) Cloud computation opens up the opportunities for optical fiber transformation in network industry

Stable network with large bandwidth for data transmission is one of the most important infrastructure for cloud computation, no matter where the user is, no matter what device the user uses, a PC, laptop, cell phone or a tablet. A great number of data centers have been established, with exponential growth of demands for bandwidth. The demands for products like MPO/MTP and active optical cables (AOCs), and QSFP are expected to boom simultaneously. The connections between large-area backbone networks have already been upgraded to optical fibers, and so have the outgoing connections for most professional databases. New cloud data centers are built with more than 100,000 servers each, depending on fast and reliable optical communication technology for system connections. That's why 100Gbs and 400 Gbs high-density transmission system that feature effective capacity improvement and space saving are gradually

taking the center stage. The cloud technology will continue to create opportunities for optical fibers.

### (3) Inception of high-speed optical fiber transmission interface

Apart from data center transmission network, AOC applications have seen results in consumer electronics, such as UHD TV, USB 4, and Thunderbolt. For an increasing number of high-speed circuitry and optical communications solutions, suppliers have begun developing and manufacturing a wide range of AOC products and more and more companies dive into this market. AOCs are a perfect alternative for new-generation data transmission, and extensively used as transmission media in, for example, metaverse applications (AR and VR). As a pioneer in AOC mass production, FOCI is prepared to ride on this opportunity of drastic growth.

## 4. Product competition

FOCI focuses currently on passive optical fiber communications components.

The product natures and replaceability are explained as follows:

Thanks to the large transmission bandwidth and low losses, optical fibers have already been used extensively in network systems to meet all sorts of broadband network applications. By the distance of transmission, there are backbone, wide area network (WAN), metropolitan area network (MAN), and local area network (LAN). Basically, optical fiber based network infrastructure has taken over the connection from optical fiber backbones to network systems at the access end. FOCI's optical fiber products are an indispensable part in the optical fiber network infrastructure. Thanks to the properties of high transmission rate, low noise, light weight, and confidentiality, optical fibers are an essential transmission media for today's communications networks. With the growing maturity of communications technology and the big trends in applications around the world, optical fibers have become a crucial part of transmission media for communications network, data transmission, and cable TV. Particularly, the widespread network has encouraged the maturity of value-added service in recent years, such as online games and interactive video and, therefore, the demands for broadband service. Optical fiber communications technology has become one of the most important ways of commercial and personal communications due to its high transmission rate, large bandwidth, and outstanding confidentiality.

For broadband LAN, the main structures are digital subscriber loop (xDSL), optical fiber/coaxial mixed network, optical fiber subscriber loop, satellite communications, and broadband wireless network (WLAN, 4G LTE, 5G, etc.) Optical fiber is no doubt the selection for transmission between earth stations of satellite communications system and base stations in broadband wireless network or when connected with other wired networks considering transmission

bandwidth. For this, backbone networks are built mostly using optical fibers. The greater the demands for the both, and greater the bandwidth is needed. If the bandwidth provided by backbone is not enough, it will have to be increased, which is in favor of the development of wired broadband network. That's why bandwidth-demanding services like HDTV and video tend to go for FTTx access service, since optical fibers are ideal for fixed applications requiring transmission of massive data and good transmission quality thanks to their features of resistance to electromagnetic interference, large transmission bandwidth and data security. Low-earth orbit (LEO) satellites can be the next important part of 5G communications industry as we are entering the 5G era. Firms have started testing their capability in the satellite communications. For example, Elon Musk's Space X has taken the lead in LEO satellite communications development. Its low-earth orbit satellites – the Starlink project – have started commercial operations, and the goal is to build a network with a fleet of 42,000 low-earth orbit satellites that provide high-speed network service covering the entire world with inter-satellite communications and transmission. Firms like Amazon, Facebook, and Google, some of the countries are planning to invest in low-earth orbit satellite fleet. Despite the advantage of LEO satellite network in remote areas, high-speed optical fiber network is still the best choice for stable, large bandwidth for life in an urban environment. One is complementary to the other and there is little competition between them. It is highly likely to see the combination of the two for a diversity of solutions.

### (3) Status of technology and R&D

#### 1. Technical level and research development of FOCI's business

FOCI has established research departments ever since its founding, and the department has been focusing on the research and development of optical components. The R&D departments expended with the development of new products and technologies. Currently, there are the technical development section and optical R&D section in charge of the development of optical components and equipment, and integrated modules of active and passive optical components, whereas the SiPh Packaging Department is dedicated to the study and development of packaging and production processes for optical communications chips. Products and services that meet market demand are provided through the planning, development, design and safety standard control of product development direction by these departments. The R&D departments are in charge of the following:

Dept.	Section	Job description
R&D Dept.	Technical development section	Development of integrated modules of active and passive components and application products New-type optical fiber transmission component development
	Optical R&D section	Development of optical fiber components and equipment Development of optical fiber parts and components Development of production equipment
SiPh Dept.		R&D of automated optical communications chip packaging and product processes

## 2. R&D expenses in the most recent two years

In: NT\$ 1,000/%

Item \ Year	2022	2021
R&D expenses (A)	77,580	84,309
Net operating revenue (B)	1,620,659	1,988,269
% in net operating revenue, (A)/(B)	4.79	4.24

## 3. Technologies or products developed successfully in the most recent 5 years

2017	AOCs used for 4K / 8K A/V products Fiber array fanouts for high-speed transmission
2018	AWG CWDM4 die cutting, milling, and testing technologies
2019	Fiber power combiner: optical receiving and transmission parts and components for autonomous driving Multi-mode MPO ultra-high specification end face optical characteristics milling technology: used in the mass-production process for multi-mode, high-speed, multi-channel transmission jumper cables Development of automatic end face cleaning equipment; used in production process for automatic cleaning of product end faces and determination of specifications, saving manpower and manhours effectively.
2020	Automatic moulder: automatic attachment of polarizer at the end face of optical fiber.
2021	Optical devices used in SiPh “Co-Packaged Optics (CPO)”
2022	Active optical cable (USB4) for cloud computation and consumer electronics

## (4) Long- and short-term business development plans

### 1. Short-term business development plans

#### (1) Product strategy

A great number of A/V transmission and IoT technologies launched in the era of pandemic. In addition to the principal product lines of passive optical components, FOCI will focus more on data centers and consumer electronics market with more sales manpower and technical marketing. We will continue with product specification improvement and rigorous quality control, while continuing to develop products that meet market demands, as to ensure FOCI's market share keeps growing.

FOCI will join force with clients for product development early in the design stage and come up with products that satisfy the use and operation needs of clients, in addition to the components needed by telecommunications service operators or system providers in their infrastructures or systems. Also, FOCI's SiPh Packaging Dept has started CPO OEM business and is looking for opportunities of OEM for more end-users through the cooperation from up to downstream in the supply chain.

## (2) Production strategy

- a. Improve cost control, look for suppliers who are willing to be a long-term partner, increase product production efficiency, strengthen workers' training, and put quality policies in practice.
- b. Exert all-out efforts for better production management and increase gross profit margin.
- c. Establish good interactions with suppliers based on mutual benefits, secure sufficient production capacity and quality control, and maintain the market competitiveness of products.
- d. Expand automated production lines, bring the best out of quality advantages, and meet the growth needs of international manufacturers.
- e. Continue to improve production efficiency and yield rate, and move towards the realm of lean manufacturing.

## (3) Marketing strategy

- a. Put customer classification in practice, strengthen high-quality customer service, establish market reputation, and expand the global market for high value-added components.
- b. Refine design service functions and practice a real-time supply policy to meet customers' product development and mass production needs.
- c. Maintain a good interactive relationship with customers, and take the initiative to understand customers' needs in order to achieve the goal of customer satisfaction; while work on existing clients and develop new customers and expand market share with existing product lines based on the existing business and the development of new products.

## (4) Financial supports

FOCI' main operating capital comes from mainly its own funds and operating surplus with the help of bank financing based on the principle of prudent operation.

## 2. Long-term business development plans

### (1) Product strategy and goals

- a. Keep promoting green products, green packaging, and low-carbon products.
- b. Expand the ability to accept orders for customized product design.

c. Continue to invest in OEM services for high-speed optical module packaging products.

(2) Production strategy

a. Keep improving manufacturing processes to match environmental protection trends and green product development, as to promote low-carbon processes.

b. Establish a flexible production mechanism to respond to rapid changes in the market, improve production efficiency, reduce chances of errors, and meet the simultaneous requirements of fast production and high quality.

c. Optimize production process manpower in response to rising labor costs, develop production aids and automation equipment in order to increase production efficiency, improve quality and reduce costs all at the same time.

d. Implement total quality management to maintain the best internal operation process at any time.

(3) Marketing strategy

The main marketing strategies described below will be followed to continuously improve FOCI's sales performance, expand the market share of FOCI's products, and increase our values in the global industrial chain:

a. Provide the best available quality service to customers throughout the whole process.

b. Demonstrate our current core technical strength, as well as our determination and actions for continuous technology improvement.

c. Keep working with major international communication companies for the research and development of new products/niche markets, and establish mutual partnerships, making FOCI one of the suppliers of mainstream products in the industry.

d. Develop self-owned brands in appropriate regional markets in response to different products and market segments, while establish marketing channels and long-term complete sales network, allowing for synergy among the channels of different product lines.

e. Look for cooperation opportunities from major international manufacturers with the strength established by, for example, Telcordia GR series certification and quality system.

(4) financial strategy

a. Leverage financially on short-, medium- and long-term bank financing.

b. Secure funds at a lower cost from financial market to facilitate the implementation of various expansion plans based on FOCI's future development and business needs.

## (5) R&D strategy

- a. Continue the technical development of future products, make core technologies stronger, and establish competitive advantages.
- b. Pursue product quality design, use research and development to solve the quality needs of mass production, and develop products for future market.
- c. Improve R&D process and effectiveness to meet the needs of market growth.

FOCI has established various product and R&D technical capabilities as mentioned above, including production and manufacturing of passive components and fiber arrays, the packaging and testing of active optical engines, and the final assembly and testing of high-speed AOC/optical modules, etc. This allows FOCI to provide customers with top-to-bottom vertical integration services, greatly reducing the complexity of product resource integration for customers, improving development efficiency, and increasing the market competitiveness of customer products effectively.

## 2. Summary of market and production/sales

### (1) Market analysis

#### 1. Regions where FOCI's products/services are sold / provided

In NT\$ 1,000

Region \ Year		2022		2021	
		Sales	%	Sales	%
Domestic sales		317,467	19.59%	273,351	13.75%
Exporting	China	164,275	10.13%	146,335	7.36%
	America	928,604	57.30%	1,379,302	69.37%
	Others	210,313	12.98%	189,281	9.52%
Total		1,620,659	100.00%	1,988,269	100.00%

#### 2. Market share

FOCI is mainly engaged in R&D, production, and sales of optical fiber communication components. There is a wide variety of products and each of them has its own unique purpose. Therefore, it is difficult to evaluate individual market conditions, and there is a lack of fair and objective statistical data to analyze market share, not to mention the difficulty to access relevant statistical information and research reports. At present, FOCI's customers are well-reputed manufacturers in Taiwan and around the world, indicating that FOCI's products have its place in the market.

#### 3. Projected future supply and demand in the market and growth possibility

The metaverse application has become the hottest topic in the market ever since

the US technology industry threw out the concept of "metaverse". The continuous increase in the popularity of Metaverse applications depends on powerful supports from network service. The communication industry is the foundation driving the development of the Metaverse, while and the low-latency feature of 5G is the most important communication core technology of the Metaverse. The current network infrastructure, however, is still not enough to support the immersive contents of Metaverse. If the Metaverse becomes mainstream in the future, the market will inevitably continue to devote its efforts to 5G, 3C hardware, high-speed computing. The global communications industry will greet the arrival of explosive growth with open arms.

Also, advent of the digital age keeps the topic of HD A/V burning hot. In the past, AOCs were seen only in specific commercial purposes of A/V applications, such as advertisements or rebroadcast billboards. Recently, 4K and 8K TVs have gradually become mainstream, which opens a new gateway for optical parts and components, as the resolution of 8K/4K TV is 4 times higher than that of 4K2K TV, suggesting the transmission requirements have been greatly increased. With the help of the metaverse, augmented reality (AR) and virtual reality (VR) are becoming more and more popular, and that means AOCs become a must-have.

Studies have shown that the traffic of global network data centers has maintained its rapid growth in the past decade. In particular, the data center traffic increased exponentially in terms of social media and applications (apps), media video streaming, and metaverse applications. It has led to the expansion of large-capacity data centers, and will also drive the demands for optical communication components simultaneously.

#### (1) High-reliability and high-quality product capability

Data corruption or loss can be a huge problem in data transmission for the communication industry. One of the most important thing is stable quality and product compatibility. Therefore, the stable quality of optical communication equipment and components is particularly important. In particular, the bandwidth of optical fiber communication is extremely large, and the quality stability of optical communication passive components is also one of the important keys to optical fiber communication systems, especially in North America and Europe, where there are rigorous requirements for high quality and the construction of high-speed 5G systems. In order to successfully segment the market and avoid the vicious circle of low-price competition, FOCI will continue to improve mass production capacity of the Taiwan facility and obtain the TL-9000 professional system certification to further improve the quality of the company's series of optical fiber communication passive components for

better product competitiveness. In addition, FOCI has certain products that were certified for GR-326 certification of Telcodia, a professional telecommunications service technology company in the United States, and becomes one of the handful qualified suppliers of optical fiber communication passive components required by North American telecommunications operator Verizon (a telecommunications company listed on NYSE) for communication equipment. Our product quality is recognized by international manufacturers.

(2) Professional technical team

FOCI is engaged in a technology-intensive industry. The employment and cultivation of technical talents is one of the key factors to maintain its competitiveness. Having competent professionals helps with the appropriate use of technologies. FOCI's important management team and key technical team have nearly 20 years of professional experience. FOCI spares no effort in protecting patent rights. Some of the technologies developed have been patented. On the other hand, they continue to carry out a number of industry-university cooperation projects and provide a good working environment and welfare system to keep excellent talents. They devote themselves to the training of industrial professionals to improve FOCI's competitiveness.

(3) Production combination and process flexibility that match customers' needs significantly

Optical fiber communication components feature significant customization. Sometimes, there are needs for small quantities but large variety of products to meet and other times, there orders of large difference in quality and very urgent delivery deadline to fill. Therefore, FOCI has developed good flexibility in production line scheduling and can be very responsive in terms of process time. Combined with process integration and development advantages, it helps FOCI meet customers' customization needs. FOCI always has two or more suppliers of important raw materials and we have been working very well. For products of high production capacity demands, such as optical fiber jumpers, FOCI has a strategic outsourcing plan which provides material sources and production capacity of stable quality in a timely manner, enough to meet the urgent needs of small quantity but wide variety of products.

(4) Grasp marketing channels and key clients

FOCI has business interaction with major telecommunication service providers in Taiwan, with most of the products exported. Therefore, expanding global marketing capabilities and marketing network is helpful to strengthen the market position, product value and improve the competitiveness.

4. Favorable and unfavorable factors for development visions and response strategies
- Thanks to the continuous establishment of cloud data centers, the rise of emerging technologies such as the Internet of Things, 5G, AI, and Metaverse, and the booming investments in fiber optic network infrastructures in the US,

there is still a huge demand for infrastructure appetite. A quick S (Strengths), W (Weaknesses), O (Opportunities), T (Threats) analysis provides a glance of what lies in front of FOCI:

- Strengths
  - Products and production lines certified for GR-326
  - Coherent communications (Panda Fiber products), years of professional experience in production and development
  - Tier-leading FA production yield, rich experience in mass production
  - Team of R&D experts in active components in favor of customer development and product integration
  - Customer service into the heart of clients for better customer satisfaction
  - Technical capability of active optical cable (AOC) development and mass production
- Weaknesses
  - High level of customization, low level of standardization, difficult for automated production
  - High wages for manpower in Taiwan, not in favor of profits
  - Limited sources of workers skilled in optical communications, difficult to find capable hands
- Opportunities
  - Growth expected in SiPh package, which will drive the growth of component market and fiber optic networks
  - Significant increase of network traffic due to work from home demands due to COVID-19 and entertainment needs
  - Rapid establishment of global data centers and the needs for high-speed broadband communications products
  - Applications of new A/V products in consumer markets
- Threats
  - Production conditions continue to deteriorate in China, not in favor of production coordination and cost control
  - Ongoing mergers and acquisitions along the industrial chain, not in favor of customer planning
  - Trade conflicts due to heated geopolitics, not in favor of technical industry

With FOCI's SWOT analyzed, FOCI comes up with the following strategies to deal with market competition:

- (1) Improve the capability of Taiwan HQs to design, develop, and produce SiPh package products

The Taiwan HQs is the core of FOCI's business development. We continue to intensify product and technology development, expand production lines, adjust plant configurations, and put efforts in production and R&D equipment to meet the needs of corporate growth in 2023, including the establishment of COB and AOC mass production lines.

(2) Evaluate backup plans in response to the changes of production environment in China

Facing the transfer of production and supply chain caused by geopolitics, we are considering the investment evaluation of third-place manufacturing according to customer needs, and start preparing and deployment early to cope with possible future risks.

(3) Secure steady stream of orders by working with major international players for long-term partnership

FOCI will continue to develop international customers and conduct business and technical exchanges based on OEM and ODM business, in addition to maintaining a good strategic relationship with international customers. We are also constantly improving our own capabilities, including professional certification of products and production lines, and even participate in customer s' R&D efforts in high-standard products, jointly develop new products, so as to stabilize production resources, and meet the goal of maximizing production efficiency.

(4) Keep investing in the development of automated equipment, minimizing the dependence on manpower

The cost for production manpower is high in Taiwan, and it is somewhat difficult to recruit workers. We will continue to invest in the development of automated equipment to reduce the dependence on skilled workers. Through the redesign of manufacturing process, we will reduce the obstacles of customization requirements by automating some of the bottleneck workstations. A well-coordinated combination of automation and manual labor will be adopted for a flexible production combination plan, and to strike a balance between standardization and customization.

(2) Important use and production process for the major products

1. Important application of major products

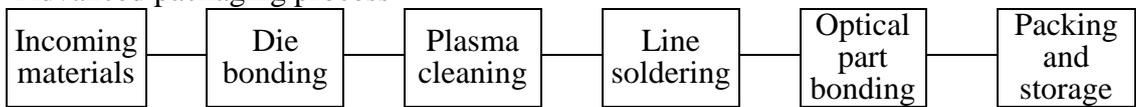
Major product	Application
Passive optical components	Use in signal transmission lines in optical communications systems, instruments, or equipment for connection, light splitting, wavelength division/mixing, and signal attenuation.

Precision packaging products	Packaging of optical communications chips, integrated optical components, optical microelectronics, and automotive electronics chips
Others	Modular products used in broadband communications systems for signal transmission, receiving and monitoring

## 2. Production process of major products

FOCI's major products include passive optical components and integrated optical fiber transmission modules made to specifications. There are four types of passive optical components according to manufacturing processes. The following is a flowchart of the product manufacturing process:

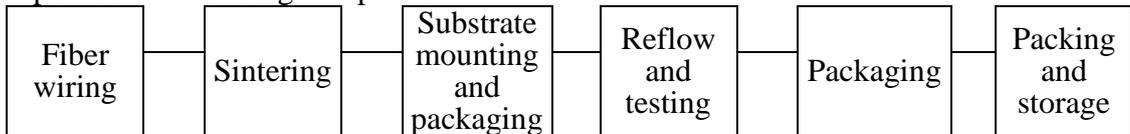
### Advanced packaging process



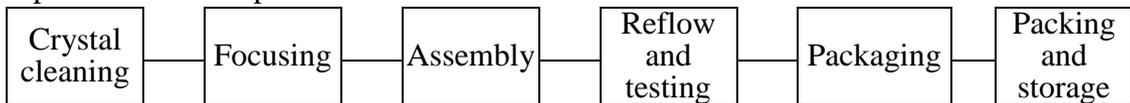
### Optical fiber connection components



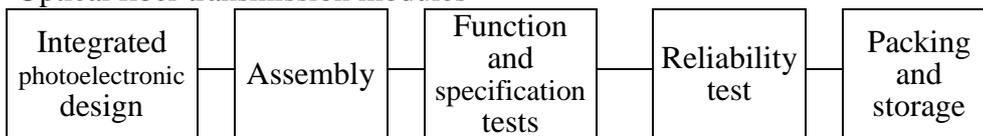
### Optical fiber sintering components



### Optical micro-components



### Optical fiber transmission modules



(3) Supply status of the major raw materials

Main purchases	Main suppliers	Supply status
Passive optical elements	US Conec, Sanwa, Senko	Good and steady
Optical fibers and cables	Corning, TMC, Senko, Yangtze Optical Fiber, OFS LLC, Baylite	Good and steady
Optical elements	HOYA, GRANOPT, Corning, Apogee	Good and steady
Active optical products and elements	II-VI, Broadcom Lumentum, Macom	Good and steady
Others (automotive metal parts, spring plates, ceramic sleeves)	Chaozhou Three-Circle, Senko, Ningbo Doppler	Good and steady

(4) Description of major gross profit margin changes by each department classification or major product classification for the most recent 2 years

1. Significant changes in the gross profit margin of major products or departments in the last two years:

Unit: NT\$1,000

Item	2022		2021		2021 to 2022
	Operating profit	Gross profit margin	Operating profit	Gross profit margin	Change of gross rate (%)
Fiber optic passive components	288,374	17.91%	444,620	22.50%	(20.4)
Lease income	8,756	83.28%	10,026	83.17%	0.13
Total operating gross profit	297,130	18.33%	454,646	22.87%	(19.85)

2. Explanation of the change in gross profit rate of more than 20% from the previous year: The gross profit of the customer order product portfolio was better in the previous year.

3. List of main purchasing and selling customers:

(1) The name of the supplier whose purchase amount and ratio accounted for more than 10% of the total purchase amount in any of the recent two years and the reason for its increase or decrease:

Unit: NT\$1,000

Item	2022				2021			
	Name	Amount	Ratio of net purchases in the whole year (%)	Relationship with Issuer	Name	Amount	Ratio of net purchases in the whole year (%)	Relationship with Issuer
1	Company S	212,391	26.94	None	Company T	160,125	16.18	None
2	Company T	86,381	10.95	None	Company S	159,822	16.15	None
3	Company C	58,129	7.37	None	Company C	61,082	6.17	None
—	Other	431,631	54.74	-	Other	608,732	61.50	-
—	Net Purchase	788,532	100	-	Net Purchase	989,761	100	-

Explanation of increase or decrease: the adjustment of the purchase amount to meet the customer's order needs.

(2) The name of the customer who accounted for more than 10% of the total sales in any of the recent two years, the sales amount and ratio, and the reason for the increase or decrease:

Unit: NT\$1,000

Item	2022				2021			
	Name	Amount	Ratio of net purchases in the whole year (%)	Relationship with Issuer	Name	Amount	Ratio of net purchases in the whole year (%)	Relationship with Issuer
1	Company C	793,990	48.99	None	Company C	804,795	40.48	None
2	Company M	113,195	6.99	None	Company M	416,741	20.96	None
3	Company F	107,833	6.65	None	Company F	129,099	6.49	None
4	Company D	74,356	4.59	None	Company Z	53,264	2.68	None
—	Other	531,285	32.78	-	Other	584,370	29.39	-
—	Net Sales	1,620,659	100	-	Net Sales	1,988,269	100	-

Explanation of increase or decrease: The main products of the Company are optical fiber communication passive components, and the main sales targets in the latest year are domestic and foreign optical fiber communication module manufacturers, optical fiber communication equipment manufacturers, distributors, etc. The change in sales amount is mainly due to changes in meeting customers' business needs.

## (5) Production for the most recent 2 fiscal years

In: 1,000 pieces/NT\$ 1,000

Production Numbers	Year	2022			2021		
		Production capacity	Production on yield	Production value	Production capacity	Production on yield	Production value
Main products							
Passive elements for optical communications		25,000	18,294	1,280,133	25,000	23,182	1,978,946
Others (note)				46,002	-	-	103,910
Total		25,000	18,294	1,326,135	25,000	23,182	2,082,856

Note: production capacity and yield are not added together due to significant difference of products in nature.

## (6) The sales volume and value for the most recent 2 fiscal years

In: 1,000 pieces/NT\$ 1,000

Prod. No.	Year	2022				2021			
		Domestic sales		Exporting		Domestic sales		Exporting	
		Qty	Value	Qty	Value	Qty	Value	Qty	Value
Main products									
Passive elements for optical communications		4,199	289,167	13,461	1,275,452	2,279	216,308	8,674	1,579,130
Others		173	28,300	928	27,740	74	57,043	1,143	135,788
Total		4,372	317,467	14,389	1,303,192	2,353	273,351	9,817	1,714,918

### 3. Employee Statistics for the Most Recent 2 Fiscal Years up to the Annual Report Publication Date

31 Mar 2023; in no. of persons/years of age/%

Year		2021	2022	31 Mar 2023
No. of employees	Managers	25	22	22
	Engineers	73	83	86
	Management workers	129	122	128
	Production line workers	324	245	254
	Total	551	472	490
Ave. age		35.91	36.98	37.03
Ave. years of service		5.84	6.47	6.44
Education distribution %	PhD	0.54%	0.21%	0.20%
	Master's degree	7.26%	7.84%	7.55%
	College	38.48%	38.77%	37.76%
	Senior high school	32.67%	29.66%	29.59%
	Below senior high school	21.05%	23.52%	24.90%

#### **4. Disbursements for environmental protection**

1. According to laws and regulations if it is required to apply for a permit for installing anti-pollution facilities, or permit of pollution drainage, or to pay anti-pollution fees, or to organize and set up an exclusively responsible unit/office for environmental issues, the description of the status of such applications, payment or establishment shall be made.

FOCI has no major pollution source in the production process, but special environmental protection personnel are appointed to avoid changes in laws and regulations and constantly check for latest regulation updates to determine whether it affects the company's operations. FOCI does not have any permit to be obtained for pollution-related facility, operations, or emission.

2. The company's investment on the major anti-pollution facilities, the use purpose of such facilities and the possible effects to be produced: none

3. Describe the process undertaken by the company on environmental pollution improvement for the most recent 2 fiscal years and up to the prospectus publication date; if there had been any pollution dispute, its handling process shall also be described: none

4. Describe any losses suffered by the company in the most recent 2 fiscal years and up to the prospectus publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental protection inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken; if a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: none

5. Explain the current condition of pollution and the impact of its improvement to the profits, competitive position and capital expenditures of the company, as well as the projected major environment-related capital expenses to be made for the coming 2 fiscal years: none

#### **5. Labor relations**

(1) Describe all employee benefits, continuing education, training, retirement systems, and the status of their implementation, as well as the status of agreements between labor and management, and all measures aimed at preserving the rights and interests of employees.

1. Employee welfare measures

FOCI provides group insurance and health checks for employees in addition to the requirements of the Labor Standards Act and applicable regulations. An employee welfare committee is established for employees' welfare. Subsidies are provided for marriage, funeral, hospitalization and maternity, and so are welfare activities, such as domestic and foreign travels, to take care of employees' lives.

2. Continuing education and training

FOCI organizes internal management and professional training courses from time to time, and sends workers for programs and training provided by external organizations as needed to enhance the professional ability and core competitiveness of employees and strengthen the complete training and further education channels for employees.

#### Continuing education and training of employees in 2022

Item	Total no. of persons	Total hours	Total expenses (NT\$)
On-the-job professional training	1,333	2,733.5	121,600
New recruit training	773	1,579.0	0
Fire training	896	3,584.0	4,900
Occupational health and safety training	841	1,691.0	7,650
Other on-the-job training	35	270.0	133,005
Total	3,878	9,857.5	267,155

#### 3. Pension system and its implementation

FOCI reached an agreement with employees on old pension system to settle the old system seniority according to the Labor Standards Act and the Labor Pension Act in 2021. On September 8, 2021, the approval letter was acquired from Department of Trusts, Bank of Taiwan.

All FOCI employees have chosen the new labor pension system since it became effective on July 1, 2005. According to the Labor Pension Act, FOCI allocates no less than 6% of the employee's monthly wages to the labor pension account every month, and employee retirement is processed also according to the Labor Pension Act.

#### 4. Labor agreement and measures taken for employees' benefits

Humanized management is practiced in FOCI. Labor issues are dealt with through multiple communication channels. FOCI is always willing to pay attention to employees' welfare and engage in two-way communications with employees. It is safe to say that FOCI has a very harmonious relation with employees, and no major labor disputes have occurred. FOCI will continue the efforts in welfare measures and hold regular labor-management administration meetings to make labor-management relations more harmonious and eliminate the possibility of labor disputes.

#### 5. Work environment and safety protection for employees

FOCI adheres to the concept of sustainable operation and pays attention to corporate social responsibility. The management system and system for the protection of the

environment and the personal safety of employees include:

- a. Follow applicable laws and customer requirements, and review management measures regularly;
- b. Set up pollution prevention equipment and measures as legally required;
- c. Follow the ROHs specification, practice environmental protection controls, and ensure that the raw materials provided by suppliers meet applicable regulations;
- d. Put meticulous work environment monitoring in practice;
- e. Establish an occupational safety office and assign workers in charge of occupational safety;
- f. Regular maintenance of fire safety equipment.
- g. Conduct regular health checkups for employees.

(2) Describe any losses suffered by the company in the most recent 2 fiscal years and up to the prospectus publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: none

## **6. Cyber security management:**

(1) Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management:

(1) Cyber security risk management organization

FOCI established the information security committee on 6 Aug, 2011, with the head of Information Department for the convener. The information security committee is responsible for the review of the "Rules for Information Security Management" and the planning, supervision and implementation of the information security management system. Relevant matters include: formulating and regularly reviewing information security policies, including information security incident notification and response mechanisms, and regularly disseminating information to employees, promoting information business to improve efficiency and quality, and exerting the effects of prevention and correction.

(2) Cyber security policy

Protect information assets from threats of improper use, leakage, tampering, theft, destruction and other accidents; reduce the degree of damage that may affect and endanger FOCI's business operations; develop rules for business secret management and personal data management based on government regulations; collect and analyze the latest cyber security related laws and regulations constantly to establish or revise management rules.

(3) Specific cyber security management plan and resources invested in cyber security management

A. Strengthen the security of the internal system, and do daily PC and server backups

and offline backups to prevent ransomware threat.

B. Provide all employees with information security training to enhance their awareness of cyber security and promote cyber security specifications.

C. Sign a contract with Chunghwa Telecom for DDOS attack prevention, and prevent a large number of external packet attacks from paralyzing the company's network.

D. Outsource an information service provider for FOCI's network information security health check to patch up possible loopholes.

E. New employees are given cyber security training on the day of their arrival to assist in understanding cyber security regulations, and information security management and major information security events are regularly announced for awareness promotion

F. Participate in the government-sponsored science park ISAC and TW-ISAC information security joint defense.

G. IT department conducts phishing tests from time to time, and asks the failed employees for re-education of information security awareness.

H. Information security units work hard in resources and construction, such as real-time updates of firewalls, investment in EDR, and MDR, to strengthen the improvement of the information security environment.

I. Participate in technical courses related to information security or hacker attack and defense regularly, and develop information security personnel.

FOCI will continue to improve computer network security protection through the information security control efforts above to strengthen information systems and establish a trustworthy environment for enterprises.

- (2) List any losses suffered by the company in the most recent 2 fiscal years and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: none

## 7. Important contracts

Contract for	Signed with	Valid from and to	Description	Limitation
Property lease	Hsinchu Science Park Administration	From 15 Mar 2016 To 14 Mar 2036	1. A piece of government-owned property is leased to FOCI. 2. Monthly rent is paid. FOCI agrees to rent adjustment if the government decides to adjust property price during the lease. However, no additional payment will be collected or returned for the payments that have been made.	None

## VI. Overview of the Company's Financial Status

### 1. Condensed financial information for the last five years

#### (1) Condensed balance sheet information

##### 1. Condensed Balance Sheet – IFRS

Unit: NT\$1,000

Year		2018	2019	2020	2021	2022
Item						
Current assets		1,200,279	913,944	1,025,160	1,186,681	1,085,059
Funds and Investments		437,378	435,495	498,197	565,766	508,518
Property, plant, and equipment		345,476	439,707	391,584	345,746	325,066
Other assets		121,076	338,876	293,574	301,885	346,806
Total assets		2,104,209	2,128,022	2,208,515	2,400,078	2,265,449
Current liabilities	Before distribution	395,607	345,271	463,743	556,431	523,030
	After distribution	522,732	414,548	550,817	697,734	567,198
Non-current liabilities		369,524	88,481	89,345	92,680	81,916
Total liabilities	Before distribution	765,131	433,752	553,088	649,111	604,946
	After distribution	892,256	503,029	640,162	790,414	649,114
Share capital		774,741	905,958	910,739	882,731	883,366
Capital surplus		375,737	578,841	585,431	554,756	555,581
Retained Surplus	Before distribution	455,541	417,119	417,882	484,066	389,783
	After distribution	328,416	347,842	330,808	342,763	345,615
Other equities interest		(43,178)	(81,301)	(132,278)	(170,586)	(168,227)
Treasury stock		(223,763)	(126,347)	(126,347)	0	0
Total shareholders' equity	Before distribution	1,339,078	1,694,270	1,655,427	1,750,967	1,660,503
	After distribution	1,211,953	1,624,993	1,568,353	1,609,664	1,616,335

Note 1: Accountants have checked and certified the above financial information.

2. Condensed Consolidated Balance Sheet – IFRS

Unit: NT\$1,000

Note 1: Accountants have checked and certified the above financial information.

Year		2018	2019	2020	2021	2022
Item						
Current assets		1,412,922	1,236,166	1,327,234	1,500,553	1,416,459
Property, plant, and equipment		517,857	592,947	530,902	450,931	376,918
Other assets		153,394	366,132	332,230	376,024	384,552
Total assets		2,084,173	2,195,245	2,190,366	2,327,508	2,177,929
Current liabilities	Before distribution	375,571	411,508	435,230	465,879	430,268
	After distribution	502,696	480,785	522,304	607,182	474,436
Non-current liabilities		369,524	89,467	99,709	110,662	87,158
Total liabilities	Before distribution	745,095	500,975	534,939	576,541	517,426
	After distribution	872,220	570,252	622,013	717,844	561,594
Equity attributable to owners of the parent company		1,339,078	1,694,270	1,655,427	1,750,967	1,660,503
Share capital		774,741	905,958	910,739	882,731	883,366
Capital surplus		375,737	578,841	585,431	554,756	555,581
Retained Surplus	Before distribution	455,541	417,119	417,882	484,066	389,783
	After distribution	328,416	347,842	330,808	342,763	345,615
Other equities interest		(43,178)	(81,301)	(132,278)	(170,586)	(168,227)
Treasury stock		(223,763)	(126,347)	(126,347)	0	0
Non-controlling equities		0	0	0	0	0
Total equities	Before distribution	1,339,078	1,694,270	1,655,427	1,750,967	1,660,503
	After distribution	1,211,953	1,624,993	1,568,353	1,609,664	1,616,335

(2) Condensed income statement information

1. Condensed statements of comprehensive income

Unit: NT\$1,000

Year \ Item	2018	2019	2020	2021	2022
Operating revenues	1,340,081	1,280,491	1,245,738	1,830,273	1,482,915
Gross profits	246,056	238,036	175,649	325,468	220,061
Operating income	94,317	60,592	(1,835)	148,119	57,483
Non-operating income and expenses	104,445	46,599	93,580	104,473	5,874
Net profit before tax	198,762	107,191	91,745	252,592	63,357
Profit from continuing operations	172,030	94,180	94,844	201,644	47,021
Loss of closed units	-	-	-	-	-
Net profit (loss) for the period	172,030	94,180	94,844	201,644	47,021
Other comprehensive income for the period (net of tax)	(8,431)	(45,369)	(75,781)	(46,888)	2,359
Total comprehensive income for the period	163,599	48,811	19,063	154,756	49,380
Earnings per share (NT\$)	2.48	1.13	1.09	2.31	0.53

Note 1: Accountants have checked and certified the above financial information.

Note 2: Earnings per share are basic earnings per share after tax.

2. Condensed consolidated statements of comprehensive income – IFRS

Unit: NT\$1,000

Year \ Item	2018	2019	2020	2021	2022
Operating revenues	1,588,223	1,614,912	1,614,479	1,988,269	1,620,659
Gross profits	364,990	339,120	284,828	454,646	297,130
Operating income	162,749	96,361	83,469	241,275	97,142
Non-operating income and expenses	60,275	25,575	16,188	31,287	(24,466)
Net profit before tax	223,024	121,936	99,657	272,562	72,676
Profit from continuing operations	172,030	94,180	94,844	201,644	47,021
Loss of closed units	-	-	-	-	-
Net profit (loss) for the period	172,030	94,180	94,844	201,644	47,021
Other comprehensive income for the period (net of tax)	(8,431)	(45,369)	(75,781)	(46,888)	2,359
Total comprehensive income for the period	163,599	48,811	19,063	154,756	49,380
Net profit attributable to the owner of the parent company	172,030	94,180	94,844	201,644	47,021
Net profit attributable to non-controlling equities	-	-	-	-	-
Total comprehensive income attributable to the owner of the parent company	163,599	48,811	19,063	154,756	49,380
Total comprehensive income attributable to non-controlling equities	-	-	-	-	-
Earnings per share (NT\$)	2.48	1.13	1.09	2.31	0.53

Note 1: Accountants have checked and certified the above financial information.

(3) The name and audit opinion of the certified accountant in the last five years

Year	Accounting Firm	Certified Accountant	Audit Opinion
2022	PwC Taiwan	Ya-Huei Cheng, Tien-Yi Li	None
2021	PwC Taiwan	Ya-Huei Cheng, Yu-Kuan Lin	None
2020	PwC Taiwan	Ya-Huei Cheng, Yu-Kuan Lin	None
2019	PwC Taiwan	Ya-Huei Cheng, Yu-Kuan Lin	None
2018	PwC Taiwan	Ya-Huei Cheng, Yu-Kuan Lin	None

## 2. Financial analysis for the last five years

### 1. Financial Analysis – International Financial Accounting Standards (Individual)

Unit: NT\$1,000

Analysis Item		Year					
		2018	2019	2020	2021	2022	
Financial structure (%)	Liabilities to Assets Ratio	36.36	20.38	25.12	27.05	26.70	
	Ratio of long-term funds to property, plant, and equipment	494.56	405.44	445.57	533.24	536.02	
Solvency %	Current ratio	303.4	264.7	220.44	213.27	207.46	
	Quick ratio	252.85	228.36	184.89	166.51	160.94	
	Interest coverage ratio	71.11	28.66	37.64	117.94	26.64	
Operating capacity	Accounts receivable turnover rate (times)	3.51	3.63	4.47	4.67	3.50	
	Average cash collection days	104	100	82	78	104	
	Inventory turnover (times)	10.41	8.66	7.25	6.74	4.78	
	Payable turnover ratio (times)	4.50	4.51	4.69	4.39	3.8	
	Average sales days	35	42	50	54	76	
	Property, plant, and equipment turnover rate (times)	3.9	3.26	3.00	4.96	4.42	
	Total asset turnover (times)	0.74	0.61	0.57	0.79	0.64	
Profitability	Return on Assets (%)	9.65	4.60	4.46	8.83	2.1	
	Return on Equity (%)	13.44	6.21	5.66	11.84	2.76	
	Ratio of Operating paid-in capital (%)	profit	12.17	6.69	(0.20)	16.78	6.51
		Net profit before tax	25.66	11.83	10.07	28.61	7.17
	Profit rate (%)	12.84	7.35	7.61	11.02	3.17	
	Earnings per share (NT\$)	2.48	1.13	1.09	2.31	0.53	
Cash flow	Cash Flow Ratio (%)	0	88.05	18.19	14.57	14.08	
	Cash flow allowable ratio (%)	43.58	78.54	73.03	65.9	53.13	
	Cash reinvestment ratio (%)	(3.72)	9.05	0.79	(0.32)	(3.9)	
Leverage	Operating leverage	13.63	19.51	Note 2	12.29	25.54	
	Financial leverage	1.03	1.07	Note 2	1.01	1.04	

Please explain the reasons for the changes in the financial ratios in the last two years. (If the increase or decrease does not reach 20%, the analysis can be exempted)

1. The decrease in interest coverage ratio was mainly due to the decrease in net profit before tax and interest.
2. The decrease in accounts receivable turnover ratio was mainly due to the decrease in net sales.
3. The increase in average cash collection days was due to the decrease in accounts receivable turnover ratio
4. The decrease in inventory turnover was mainly due to the reduced in the cost of goods sold and the average inventory increased compared with the previous period.
5. The increase in inventory turnover days was mainly due to the decrease in inventory turnover.
6. The decrease in return on assets was mainly due to the decrease in net profit
7. The decrease in return on equity was mainly due to the decrease in net profit
8. The decrease in the ratio of operating income to paid-in capital was mainly due to the decrease in operating income.
9. The decrease in the ratio of profit before tax to paid-in capital was mainly due to the decrease in profit before tax.
10. The decrease in the ratio of net profit was mainly due to the decrease in net profit.
11. The decrease in earnings per share was mainly due to the decrease in the net profit attributable to shareholders of the company.
12. The decrease in cash reinvestment ratio was mainly due to the increase in cash dividends
13. The decrease in operating leverage was due to the decrease in operating income.

Note 1: Accountants have checked and certified the above financial information.

Note 2: This year suffers an operating loss, so it will not be calculated.

### Note 3:

#### Equations:

1. Financial structure
  - (1) Ratio of liabilities to assets =  $\text{total liabilities} / \text{total assets}$
  - (2) Ratio of long fund to real estate, properties and equipment =  $(\text{total equity} + \text{non-current liabilities}) / \text{net amount of real estate, property and equipment}$
2. Solvency
  - (1) Current ratio =  $\text{current assets} / \text{current liabilities}$
  - (2) Quick ratio =  $(\text{current assets} - \text{inventory} - \text{prepaid expense}) / \text{current liabilities}$
  - (3) Times interest earned ratio =  $\text{net income before tax and interest expense} / \text{interest expense}$
3. Operating ability
  - (1) Account receivable turnover (including accounts receivable and notes receivable resulted from business operation) =  $\text{net sales} / \text{average balance of account receivable (including accounts receivable and notes receivable resulted from business operation)}$
  - (2) Days sales in account receivable =  $365 / \text{account receivable turnover}$
  - (3) Inventory turnover =  $\text{cost of goods sold} / \text{average inventory}$
  - (4) Account payable turnover (including accounts payable and notes payable resulted from business operation) =  $\text{operating costs} / \text{average balance of account payable (including accounts payable and notes payable resulted from business operation)}$
  - (5) Average days in sales =  $365 / \text{inventory turnover}$
  - (6) Turnover of real estate, properties and equipment =  $\text{net sales} / \text{net real estate, properties and equipment}$
  - (7) Total assets turnover =  $\text{net sales} / \text{average total assets}$
4. Profitability
  - (1) Ratio or return on total assets =  $[\text{net income} + \text{interest expense} * (1 - \text{tax rate})] / \text{average total assets}$
  - (2) Ratio or return on shareholder's equity =  $\text{net income} / \text{average net shareholder's equity}$
  - (3) Profit ratio =  $\text{net income} / \text{net sales}$
  - (4) Earnings per share =  $(\text{net income attributed to parent company owner} - \text{preferred stock dividend}) / \text{weighted average stock shares issued (note 4)}$
5. Cash flow
  - (1) Cash flow ratio =  $\text{net cash flow from operating activity} / \text{current liabilities}$
  - (2) Cash flow adequacy ratio =  $(\text{net cash flow from operating activities within five year} / (\text{capital expenditure} + \text{inventory increase} + \text{cash dividend})) \text{ within five year}$
  - (3) Cash re-investment ratio =  $(\text{net cash flow from operating activity} - \text{cash dividend}) / (\text{total fixed assets} + \text{long-term investment} + \text{other assets} + \text{working capital}) \text{ (note 5)}$
6. Balance:
  - (1) Operation balance =  $(\text{net operating income} - \text{operating variable cost and expense}) / \text{operating income (note 6)}$
  - (2) Financial balance =  $\text{operating income} / (\text{operating income} - \text{interest expense})$

Note 4: For the equation of earnings per share above, special attention is required for the following when measuring:

1. The earnings should be based on the weighted average number of common shares, instead of the number of shares outstanding at the end of the year.
2. For cash capital increase or treasury stock trading, the circulation period shall be considered to determine the weighted average number of shares.
3. For capital increase out of earnings or capital reserves, retrospective adjustments shall be made according to the capital increase ratio, regardless of the issuance period of the capital increase, when calculating earnings per share for previous years and half-years.
4. If the preferred stocks are non-convertible accumulated ones, the dividends for the current year (whether paid or not) shall be deducted from the after-tax net profit or added to the after-tax net loss. If the preferred stocks are non-cumulative and if there is a net profit after tax, the preferred stock dividends shall be deducted from the net profit after tax; no adjustment is required if it is a loss.

Note 5: the following shall be considered in cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the annual cash outflow of capital investment.
3. The increase in inventory is included only when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory decreases at the end of the year, it is calculated as zero.
4. Cash dividends include cash dividends of common and preferred stocks.
5. Real estate, properties and equipment refer to the total amount of real estate, properties and equipment before deduction of accumulated depreciation.

Note 6: the operating costs and operating expenses shall be classified into fixed and variable by their natures, and the rationality and consistency shall be maintained if estimates or subjective judgments are involved.

## 2. Financial Analysis – International Financial Accounting Standards (Consolidated)

Year		2018	2019	2020	2021	2022	
Analysis Item							
Financial structure (%)	Liabilities to Assets Ratio	35.75	22.82	24.50	24.77	23.76	
	Ratio of long-term funds to property, plant, and equipment	329.94	300.83	330.60	412.84	463.67	
Solvency %	Current ratio	376.21	300.4	303.84	322.09	329.2	
	Quick ratio	310.19	249.48	243.47	242.94	247.92	
	Interest coverage ratio	54.94	25.71	29.67	66.55	19.11	
Operating capacity	Accounts receivable turnover rate (times)	3.29	3.21	3.86	4.62	4.03	
	Average cash collection days	111	113	95	79	91	
	Inventory turnover (times)	4.32	4.83	4.98	4.35	3.25	
	Payable turnover ratio (times)	5.71	6.21	6.76	6.41	6.66	
	Average sales days	84	75	73	84	112	
	Property, plant, and equipment turnover rate (times)	3.03	2.91	2.87	4.05	3.92	
	Total asset turnover (times)	0.85	0.75	0.74	0.88	0.72	
Profitability	Return on Assets (%)	9.43	4.59	4.45	9.07	2.23	
	Return on Equity (%)	13.44	6.21	5.66	11.84	2.76	
	Ratio of paid-in capital (%)	Operating profit	21.01	10.64	9.16	27.33	11.00
		Net profit before tax	28.79	13.46	10.94	30.88	8.23
	Profit rate (%)	10.83	5.83	5.87	10.14	2.9	
	Earnings per share (NT\$)	2.48	1.13	1.09	2.31	0.53	
Cash flow	Cash Flow Ratio (%)	18.38	70.27	36.96	36.84	50.22	
	Cash flow allowable ratio (%)	16.96	58.02	79.13	89.62	89.95	
	Cash reinvestment ratio (%)	(0.05)	7.94	4.43	4.33	4.13	
Leverage	Operating leverage	9.13	15.96	18.92	7.82	15.85	
	Financial leverage	1.03	1.05	1.04	1.02	1.04	

Please explain the reasons for the changes in the financial ratios in the last two years. (If the increase or decrease does not reach 20%, the analysis can be exempted)

1. The decrease in interest coverage ratio was mainly due to the decrease in net profit before tax and interest.
2. The decrease in inventory turnover was mainly due to the reduced in the cost of goods sold and the average inventory increased compared with the previous period.
3. The increase in inventory turnover days was mainly due to the decrease in inventory turnover rate.
4. The decrease in return on assets was mainly due to the decrease in net profit.
5. The decrease in return on equity was mainly due to the decrease in net profit.
6. The decrease in the ratio of operating income to paid-in capital was mainly due to the decrease in operating income.
7. The decrease in the ratio of profit before tax to paid-in capital was mainly due to the decrease in profit before tax.
8. The decrease in the ratio of net profit was mainly due to the decrease in net profit.
9. The decrease in earnings per share was mainly due to the decrease in the net profit attributable to shareholders of the company.
10. The decrease in cash flow ratio was mainly due to the increase in net cash inflow from operating activities.
11. The decrease in operating leverage was due to the decrease in operating income.

Note 1: Accountants have checked and certified the above financial information.

Note 2:

Equations:

1. Financial structure
  - (1) Ratio of liabilities to assets = total liabilities / total assets
  - (2) Ratio of long fund to real estate, properties and equipment =  $(\text{total equity} + \text{non-current liabilities}) / \text{net amount of real estate, property and equipment}$
2. Solvency
  - (1) Current ratio = current assets / current liabilities
  - (2) Quick ratio =  $(\text{current assets} - \text{inventory} - \text{prepaid expense}) / \text{current liabilities}$
  - (3) Times interest earned ratio = net income before tax and interest expense / interest expense
3. Operating ability
  - (1) Account receivable turnover (including accounts receivable and notes receivable resulted from business operation) = net sales / average balance of account receivable (including accounts receivable and notes receivable resulted from business operation)
  - (2) Days sales in account receivable = 365 / account receivable turnover
  - (3) Inventory turnover = cost of goods sold / average inventory
  - (4) Account payable turnover (including accounts payable and notes payable resulted from business operation) = operating costs / average balance of account payable (including accounts payable and notes payable resulted from business operation)
  - (5) Average days in sales = 365 / inventory turnover
  - (6) Turnover of real estate, properties and equipment = net sales / net real estate, properties and equipment
  - (7) Total assets turnover = net sales / average total assets
4. Profitability
  - (1) Ratio or return on total assets =  $[\text{net income} + \text{interest expense} * (1 - \text{tax rate})] / \text{average total assets}$
  - (2) Ratio or return on shareholder's equity = net income / average net shareholder's equity
  - (3) Profit ratio = net income / net sales
  - (4) Earnings per share =  $(\text{net income attributed to parent company owner} - \text{preferred stock dividend}) / \text{weighted average stock shares issued (note 3)}$
5. Cash flow
  - (1) Cash flow ratio = net cash flow from operating activity / current liabilities
  - (2) Cash flow adequacy ratio =  $(\text{net cash flow from operating activities within five year} / (\text{capital expenditure} + \text{inventory increase} + \text{cash dividend}) \text{ within five year})$
  - (3) Cash re-investment ratio =  $(\text{net cash flow from operating activity} - \text{cash dividend}) / (\text{total fixed assets} + \text{long-term investment} + \text{other assets} + \text{working capital}) \text{ (note 4)}$
6. Balance:
  - (1) Operation balance =  $(\text{net operating income} - \text{operating variable cost and expense}) / \text{operating income (note 5)}$
  - (2) Financial balance =  $\text{operating income} / (\text{operating income} - \text{interest expense})$

Note 3: For the equation of earnings per share above, special attention is required for the following when measuring:

1. The earnings should be based on the weighted average number of common shares, instead of the number of shares outstanding at the end of the year.
2. For cash capital increase or treasury stock trading, the circulation period shall be considered to determine the weighted average number of shares.
3. For capital increase out of earnings or capital reserves, retrospective adjustments shall be made according to the capital increase ratio, regardless of the issuance period of the capital increase, when calculating earnings per share for previous years and half-years.
4. If the preferred stocks are non-convertible accumulated ones, the dividends for the current year (whether paid or not) shall be deducted from the after-tax net profit or added to the after-tax net loss. If the preferred stocks are non-cumulative and if there is a net profit after tax, the preferred stock dividends shall be deducted from the net profit after tax; no adjustment is required if it is a loss.

Note 4: the following shall be considered in cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the annual cash outflow of capital investment.
3. The increase in inventory is included only when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory decreases at the end of the year, it is calculated as zero.
4. Cash dividends include cash dividends of common and preferred stocks.
5. Real estate, properties and equipment refer to the total amount of real estate, properties and equipment before deduction of accumulated depreciation.

Note 5: the operating costs and operating expenses shall be classified into fixed and variable by their natures, and the rationality and consistency shall be maintained if estimates or subjective judgments are involved.

Note 6: for a foreign company, the ratio of paid-in capital mentioned above shall be calculated as the ratio of net worth.

### **3.The audit committee review report of the most recent annual financial report**

#### **Audit Committee’s Review Report**

The Board of Directors has prepared the Company's 2022 Business Report, Financial Statements, and proposal for allocation of earnings. The CPA firm of PricewaterhouseCoopers Taiwan was retained to audit FOCI’s Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and Earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of FOCI Fiber Optic Communications, Inc. According to relevant requirements of the Securities and Exchange Act and the Company Law, we hereby submit this report

Sincerely,

FOCI Fiber Optic Communications, Inc.

2023 Annual General Shareholders’ Meeting

The Audit Committee

Convener: Mei-huei Li

Feb 23, 2023

**4. Financial report of the most recent year (2022): see Appendix 2.**

**5. Financial report of the most recent year (2022) audited and certified by CPA: see Appendix 3.**

**6. If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation: not applicable**

## VII. Review and Analysis of Financial Status and Performance and Risk Matters

### 1. Financial status

Unit: NT\$1,000; %

Item \ Year	2022	2021	Difference	
			Amount	%
Current assets	1,416,459	1,500,553	(84,094)	(5.60)
Property, plant, and equipment	376,918	450,931	(74,013)	(16.41)
Other assets	384,552	376,024	8,528	2.27
Total assets	2,177,929	2,327,508	(149,579)	(6.43)
Current liabilities	430,268	465,879	(35,611)	(7.64)
Non-current liabilities	87,158	110,662	(23,504)	(21.24)
Total liabilities	517,426	576,541	(59,115)	(10.25)
Share capital	883,366	882,731	635	0.07
Capital surplus	555,581	554,756	825	0.15
Retained earnings	389,783	484,066	(94,283)	(19.48)
Total equity	1,660,503	1,750,967	(90,464)	(5.17)
Note:				
1. The decrease in non-current liabilities was mainly due to the decrease in deferred income tax and lease liabilities - non-current.				

### Comparative analysis of non-consolidated financial status

Unit: NT\$1,000; %

Item \ Year	2022	2021	Difference	
			Amount	%
Current assets	1,085,059	1,186,681	(101,622)	(8.56)
Property, plant, and equipment	325,066	345,746	(20,680)	(5.98)
Other assets	855,324	867,651	(12,327)	(1.42)
Total assets	2,265,449	2,400,078	(134,629)	(5.61)
Current liabilities	523,030	556,431	(33,401)	(6.00)
Non-current liabilities	81,916	92,680	(10,764)	(11.61)
Total liabilities	604,946	649,111	(44,165)	(6.80)
Share capital	883,366	882,731	635	0.07
Capital surplus	555,581	554,756	825	0.15
Retained earnings	389,783	484,066	(94,283)	(19.48)
Total equity	1,660,503	1,750,967	(90,464)	(5.17)
Note:				
1. There was no significant change.				

## 2. Financial performance

### (1) Consolidated financial statements

Unit: NT\$1,000; %

Item	Year		Increase (decrease) amount	Change ratio (%)
	2022	2021		
Net operating revenues	1,620,659	1,988,269	(367,610)	(18.49)
Operating cost	<u>1,323,529</u>	<u>1,533,623</u>	(210,094)	(13.70)
Gross profit	297,130	454,646	(157,516)	(34.65)
Operating expenses	<u>199,988</u>	<u>213,371</u>	(13,383)	(6.27)
Operating income	97,142	241,275	(144,133)	(59.74)
Non-operating income and expenses	<u>(24,466)</u>	<u>31,287</u>	(55,753)	(178.20)
Profit before tax	72,676	272,562	(199,886)	(73.34)
Income tax expense (benefit)	<u>25,655</u>	<u>70,918</u>	(45,263)	(63.82)
Net profit	<u>47,021</u>	<u>201,644</u>	(154,623)	(76.68)
Analysis of increase and decrease changes:				
1. The decrease in operating gross profit was mainly due to the decrease in revenue.				
2. The decrease in operating profit was mainly due to the decrease in revenue and gross profit margin.				
3. The decrease in non-operating income and expenses was mainly due to the decrease in other gains and losses.				
4. The decrease in profit before tax was mainly due to the decrease in operating profit and non-operating income and expenses.				
5. The decrease in income tax expenses was mainly due to the decrease in profit before tax.				
6. The decrease in net profit was due to the decrease in profit before tax.				

### Unconsolidated Financial Statements

Unit: NT\$1,000; %

Item	Year		Increase (decrease) amount	Change ratio (%)
	2022	2021		
Net operating revenues	1,482,915	1,830,273	(347,358)	(18.98)
Operating cost	1,262,854	1,504,974	(242,120)	(16.09)
(Un)realized inter-affiliate sales gains (losses)	<u>0</u>	<u>169</u>	(169)	(100.00)
Gross profit	220,061	325,468	(105,407)	(32.39)
Operating expenses	<u>162,578</u>	<u>177,349</u>	(14,771)	(8.33)
Operating income	57,483	148,119	(90,636)	(61.19)
Non-operating income and expenses	<u>5,874</u>	<u>104,473</u>	(98,599)	(94.38)
Profit before tax	63,357	252,592	(189,235)	(74.92)
Income tax expense (benefit)	<u>16,336</u>	<u>50,948</u>	(34,612)	(67.94)
Net profit	<u>47,021</u>	<u>201,644</u>	(154,623)	(76.68)
Analysis of increase and decrease changes:				

1. (Un)realized profit from sales between affiliated companies (Un)realized gross profit from sales of parent and subsidiary companies.
2. The decrease in operating gross profit was mainly due to the decrease in revenue.
3. The decrease in operating profit was mainly due to the decrease in revenue and gross profit margin.
4. The decrease in non-operating income and expenses was mainly due to the decrease in other gains and losses.
5. The decrease in profit before tax was mainly due to the decrease in operating gains and non-operating income.
6. The decrease in income tax expenses was mainly due to the decrease in profit before tax.
7. The decrease in net profit was due to the decrease in profit before tax.

(2) The expected sales volume and its basis, the possible impact on the company's future financial business, and the response plan:

The sales quantity is based on the market demand and development trend, the customer's estimated order quantity for the next year, and the company's production capacity.

### 3. Cash flows

(1) Analysis of cash flow changes in the most recent year

Unit: NT\$1,000; %

Item \ Year	2022	2021	Increase (decrease) Ratio (%)
Cash Flow Ratio (%)	50.22	36.84	36.32
Cash flow allowable ratio (%)	89.95	89.62	0.37
Cash reinvestment ratio (%)	4.13	4.33	(4.62)
Description of the change analysis of the ratio of increase and decrease: The decrease in cash flow ratio was mainly due to the increase in net cash inflow from operating activities			

(1) Cash flow ratio = net cash flow from operating activities / current liabilities.

(2) Allowable ratio of net cash flow = net cash flow from operating activities in the last five years / (capital expenditure + increase in inventory + cash dividends) in the last five years.

(3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross fixed assets + long-term investment + other assets + working capital).

(2) Improvement plan for insufficient liquidity  
The Company has no liquidity shortage.

(3) Cash liquidity analysis for the following year  
The Company expects that the company's business will grow steadily in the next year, and the Company's operating activities will generate positive cash flow.

**4. The impact of significant capital expenditures on finances and business in the most recent year: None**

**5. Reinvestment policy in the most recent year, the main reasons for its profit and loss, improvement plan, and investment plan for the following year:**

(1) Reinvestment policy: In line with the company's business strategy and needs, long-term holding is the focus.

(2) The main reason for the profit or loss of the reinvestment in the most recent year and its improvement plan

Unit: NT\$1,000

Invested Company	Amount	Policy	Recognition of the latest annual investment profit and loss of the invested company	Main reasons for profit or loss	Improvement plan
FIOPTec Inc.	USD 15,050	Investment holding company to establish a production base in mainland China	NTD56,648	FOCI Shanghai 2022 profit recognized	—
Shanghai FOCI Fiber Optic Communications, Inc.	USD10,050	Production base and marketing base in mainland China	NTD54,908	Product mix of customer orders is good	—
Jiangxi FOCI Fiber Optic Communication, Inc.	USD5,000	Production base	NTD1,937		
Zhongshan FOCI Fiber Optic Communications, Inc.	RMB20,000	Production base	NTD27,199	Improvement in production efficiency	

**(2) Investment plan for the following year: There is no reinvestment plan in 2022.**

**6. Risk Management Analysis**

(1) The impact of changes in interest rates, exchange rates, and inflation on the Company's profit and loss and future response measures.

1. In terms of interest rate change risk:

The Company's interest expenses in 2022 and 2021 were NT\$4,014,000 and NT\$4,158,000, respectively, accounting for 0.25% and 0.21% of the consolidated net operating income of the year. The proportion is not high, so changes in interest rates have no significant impact on the company. In the future, the company will adjust the use of funds promptly according to changes in financial interest rates to reduce the impact of interest rate changes on the Company's profit and loss.

2. In terms of exchange rate changes risk:

Unit: NT\$1,000

Item \ Year	2022	2021
Exchange (gain) loss (1)	50,896	(5,550)
Operating income(2)	1,620,659	1,988,269
Operating profit (3)	97,142	241,275
(1)/(2)	3.14%	(0.28)%
(1)/(3)	52.39%	(2.30)%

The main import and export currencies of the company and its subsidiaries are USD and RMB, and the place of operation includes Taiwan and mainland China. Daily operations must exchange USD for NTD and RMB, resulting in exchange risks. The principle of responding to changes in exchange rates is mainly to avoid foreign exchange risks that do not affect the stable operation of the industry rather than to earn exchange benefits. Therefore, in response to exchange rate changes, the Company not only pays attention to and collects information on changes in the foreign exchange market at any time to grasp the exchange rate fluctuations but also continues to strengthen the concept of risk avoidance for financial personnel to grasp and judge exchange rate fluctuations at any time.

3. In terms of inflation risk: Up to now, the Company has not been significantly impacted by profit and loss due to inflation. In addition to paying close attention to market price fluctuations, the Company maintains an excellent interactive relationship with suppliers and customers to properly adjust product prices and raw material inventory, which should be able to reduce the impact of inflation on the company effectively.

(2) Policies for engaging in high-risk, high-leverage investments, loans to others, endorsement guarantees, and derivatives transactions, the main reasons for profits or losses, and future countermeasures:

1. Since its establishment, the Company has been committed to the operation of the industry or engaged in high-risk and high-leverage investment.

2. As of the publication date of the annual report, the Company's loans to others :

Unit : CNY 1,000

creditor	Borrower	Nature of loan	2022/12/31 Balance	2023/4/1 Balance
Jiangxi FOCI Fiber Optic Communication, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	Operating capital	20,000	20,000

3. As of the publication date of the annual report, the Company has endorsed and guaranteed its subsidiary Shanghai FOCI Fiber Optic Communications, Inc.

with an amount of USD 2,000,000 and its subsidiary Zhongshan FOCI Fiber Optic Communications, Inc. with an endorsement guarantee amount of USD 1,000,000.

4. As of the publication date of the annual report, the Company has not engaged in derivative transactions.

- (3) Research and development work would be carried out in the future, and further expenditures expected for research and development work

Technological innovation and R&D are the foundation of FOCI's sustainable development and sustainable operation. FOCI launch an R&D strategy every year, and prepares R&D budgets according to the plan to ensure the company's competitive niche. Optical communications technology is one of FOCI's important core competitiveness. We will focus on the R&D efforts in products and production technologies for high-speed transmission interfaces, and continue the company's strategic R&D direction. We will continue the efforts in technology and product development with the following expected projects:

#### 1. Polarization Maintaining Fiber Array (PM FA) packaging

This product is applied in coherent communication modules, such application would be the one part of coherent optical communication modules like high-speed transmission at 100G ~ 400G. This is the passive element used in some of the optimized high-speed transmission solutions. It can be used in micro-integrable tunable laser assembly (micro-ITLA), coherent driver modulator (CDM) and intradyne coherent receiver (micro-ICR). The intradyne coherent optical communication module equipped with this element is capable of transmission beyond 1,000km. It is the most advanced passive element used for optical communication applications in recent years.

#### 2. CPO optical elements and the process development

Optics are in the critical turning point currently for their evolution. Pluggable optics are facing density and power issues as the network speed increases to 800 Gbps and higher. The "Co-Packaged Optics" (CPO) become the most needed system integration solution in the industry. This solution, combined with silicon photo technology, provides greater number of cores, density, and transmission rate. FOCI is maintaining its lead in PM FA products with greater number of cores and higher density, and launches ReLFACon™ (Reflowable Lensed Fiber Array Connector) products for Optical Switch, HPC, AI, ML, Lidar and sensors. They meet the process environment needs for standard semiconductor packaging, which provides a complete solution for CPO.

#### 3. Development of automated process for consumer-based optical cables

AOC consumer market demanding transmission of 20G or higher speed application, such as HDMI2.1 AOC and USB4 AOC, looks promising in recent years. However, FOCI has no more production capacity to meet the increasing demands of consumer market at the moment. For meet the requirement of the market, FOCI has joined force with several strategic partners for the development of automated assembly and image recognition equipment to accelerate the improvement production capacity, stabilize

production, reduce the need for capable manpower and production costs.

Since the established from 1995, FOCI has been continuously investing in the development of active and passive optical communication components, modules and sub-system products and technologies since its establishment, and is committed to passing down experience accumulated over the years, while engaging in technical cooperation with professional and academic organizations to improve technical capability. We are constantly on the lookout for innovations of technology and manufacturing process and development of new products. Efforts are invested to integrate existing resources and people for self-development, and R&D budgets are provided to maintain market competitiveness. It is estimated that R&D expenses will still account for more than 3% of revenue to meet the technology development needs mentioned above.

- (4) Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

The changes in the legal environment at home and abroad have no effect on FOCI's financial status in 2022.

- (5) Effect on the company's financial operations of developments in science and technology (including cyber security risks) as well as industrial change, and measures to be taken in response

The optical communication industry has gradually evolved from being a part of the telecommunications system to formally incorporated in consumer electronics products after decades of development, providing systems and components for broadband network applications. The widespread smart mobile devices have encouraged diversity of services, including network telephone, cloud applications, home security, health care, security monitoring and other needs, as well as social networking sites, audio/video applications, and entertainment that have become part of our daily life, which is what we are happy to see! The attributes of customers who purchase FOCI's products and product proportions indicate that FOCI has been keeping an eye on the development of new technologies and the trend of industrial changes; in addition, in order to grasp the more life-like applications of optical fiber products in the future, FOCI continues to invest in the active optical cable (AOC) market Development to grasp the business opportunities of wired high-speed I/O interface transmission products.

The threats of online attacks are frequent and imminent. FOCI has been active in strengthening cyber security. A variety of information security defense equipment and mechanisms have been adopted, and cyber security policies are established and reviewed regularly, including cyber security incident reports, response mechanisms, regular employee training, and efficiency and quality improvement for information operations. These efforts are paid off in playing the role of prevention and correction, thus keeping network-related risks at bay.

- (6) Effect on the company's crisis management of changes in the company's corporate

image, and measures to be taken in response: FOCI did not experience any change of cooperate image in the most recent fiscal year.

FOCI has been running its business believing in stability and integrity ever since its founding day, and continues to improve the company's internal management and quality management capabilities for a good corporate image. The plan is to recruit more outstanding talents to work for FOCI as we enter the capital market. We develop the strength of the management team, and present the business results to the public. However, there has been no major change in the corporate image of the company in the most recent year and the current fiscal year, and there have been no reports on the market that are unfavorable to the corporate image. social responsibility. FOCI will do its best for corporate social responsibilities while pursuing the greatest benefits for its shareholders and employees.

- (7) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken: none
- (8) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken: none
- (9) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken:

- 1. Risks associated with any consolidation of purchasing operations, and mitigation measures being or to be taken:

Considering reducing production costs, improving competitiveness and serving customers nearby, FOCI's main products are outsourced to FOCI Shanghai and FOCI Zhongshan, both of which are 100% invested by FOCI, and subcontracted to FOCI Jiangxi, which is also a subsidiary invested 100% by FOCI, for OEM service. For FOCI's overall operation plan, FOCI Shanghai is transformed into the FOCI's operation center in China, the parent company in Taiwan is in charge of receiving orders and R&D works, and most of the products are produced by FOCI Shanghai and Zhongshan. In addition, the purchase policy for individual raw materials is to have two or multiple suppliers and purchase material from multiple sources,, which eliminates the risk of buying from a single source. FOCI has been maintaining a good cooperative relationship with all suppliers to ensure the stability of supply sources.

- 2. Risks associated with any consolidation of sales operations, and mitigation measures being or to be taken

FOCI has been working with some major international clients, and increase added value and adhesion for customers with concentrated resources. This year, FOCI will continue to work on several large customers to replicate successful experience and expand business scope for better market position. FOCI would keep our strongly believes in R&D and manufacturing capabilities. On one hand, FOCI maintains long-term cooperative relationships with existing customers and, on the other, we will commit to develop new customers to expand and diversify business sources. Therefore, the risk of concentrated sales is not likely to have impacts on FOCI's business growth.

- (10) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken:

FOCI's major shareholders have been supportive to the company's operations and management. The shareholdings of directors, supervisors and top 10% shareholders are disclosed in accordance with the Securities and Exchange Act. There is no substantial transfer of equity as of the date of publication of the annual report. Therefore, there is no significant impact on the company.

- (11) Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken:

This is not applicable, since FOCI did not experience any change in governance personnel or top management in the most recent fiscal year and up to the date of publication of the annual report.

- (12) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report: none

- (13) Other important risks, and mitigation measures being or to be taken: none

## **7. Other important matters:**

### Cyber security and management

FOCI has an information security policy for this management. A safe environment is established for the company's computer network and information system, and to protect the company's intellectual property and customers' confidential information.

Network attacks and confidential information theft are frequent and imminent dangers.

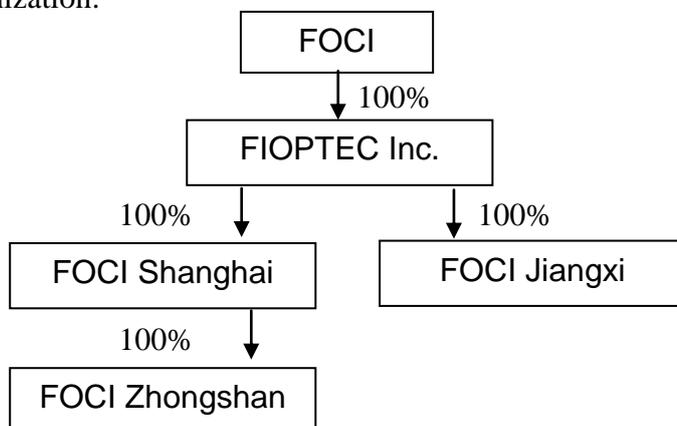
FOCI has established a security control mechanism for the computer network system to ensure the security of data transmission over network, protect network operations, and prevent unauthorized system access from causing confidential information leaks. A fortified cyber security management is in place for the cross-company computer network system. Anti-virus software is installed internally, and network firewalls externally to prevent computer viruses and aggressive malicious software from invading and paralyzing FOCI's network system. Employees are educated on the concept of using legal software correctly, encouraged to familiarize themselves with the threat of computer viruses and email security, thus further enhancing employees' cyber security awareness and integration into daily operations.

## VIII. Other items deserving special mention

### 1. Information related to the company's affiliates

(1) Consolidated business report with affiliates

1. Affiliate organization:



2. Relationship with affiliated enterprise, mutual shareholding ratio, shares, and actual investment amount

2022/12/31

Affiliated Enterprise	Relationship to the Affiliated Enterprise	Actual investment amount (NT\$1,000)	The Company's capital contribution or shareholding ratio of affiliated enterprise		Proportion of shares held by affiliated enterprise in the Company	
			Shares (1,000)	Ratio	Shares (1,000)	Ratio
FIOPTTEC Inc.(Cayman Islands)	Subsidiaries of the Company	USD 15,050	15,050	100%	—	—
Shanghai FOCI Fiber Optic Communications, Inc.	The Company invested through FIOPTTEC Inc. (Cayman Islands)	USD 10,050	(Note)	100%	—	—
Jiangxi FOCI Fiber Optic Communication, Inc.	The Company invested through FIOPTTEC Inc. (Cayman Islands)	USD 5,000	(Note)	100%		
Zhongshan FOCI Fiber Optic Communications, Inc.	The Company invested through Shanghai FOCI Fiber Optic Communications, Inc.	RMB20,000	(Note)	100%		

Note: A limited company does not issue shares and has no face value.

3. Information of board directors, supervisors and managing officers of affiliates

Name of affiliate	Title	Name or representative
FIOPTTEC Inc. (Cayman Islands)	Director	Song-fure Lin
Shanghai FOCI Fiber Optic Communications, Inc.	Director	Song-fure Lin, Chun-ying Kung, Chien-Hsing Kao
	GM	Chun-ying Kung
Jiangxi FOCI Fiber Optic Communication, Inc.	Director	Song-fure Lin, Chun-ying Kung, Chien-Hsing Kao
	GM	Chun-ying Kung
Zhongshan FOCI Fiber Optic Communications, Inc.	Director	Chun-ying Kung
	GM	Chun-ying Kung

4. Operation overview of each affiliated enterprise

Unit: 1,000 (except for earnings per share 1)

Name	Currency	Capital Amount	Total Assets	Total Liabilities	Net Value	Operating Income	Operating Profit (Loss)	Profit and loss for the period (after tax)	Earnings per share
FOCI	NTD	883,366	2,265,449	604,946	1,660,503	1,482,915	57,483	47,021	2.31
FIOPTTEC	USD	15,050	16,084	-	16,084	-	-	1,898	N/A
FOCI Shanghai	RMB	77,202	153,442	65,382	88,060	234,043	9,380	12,404	N/A
FOCI Zhongshan	RMB	20,000	53,421	35,879	17,543	120,594	6,153	6,144	N/A
FOCI Jiangxi	RMB	30,858	24,568	806	23,762	3,724	(999)	437	N/A

(2) Consolidated financial report with affiliates: see Appendix 3: 2022 consolidated financial report

(3) Relation report: not applicable

2. **Any private placement of securities carried out during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: none**
3. **Holding or disposal of shares in the company by the company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: none**
4. **Other matters that require additional description**

FOCI has no unfinished "OTC commitment" up to the date of publication of the annual report.

**IX. Situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, such situations shall be listed one by one: none**

## Appendix 1: Internal Control System Statement

### FOCI Fiber Optic Communications, Inc. Internal Control System Statement

23 Feb 2023

The following statement presents the results of self-evaluation on FOCI's internal control system in 2022:

1. FOCI is well aware that the establishment, implementation and maintenance of the internal control system is the responsibility of FOCI's board of directors and managers, and such a system has been established. Its purpose is to ensure reasonably that the identified objectives, including operation effectiveness and efficiency (including profit, performance, and asset safety protection, etc.), reliability, timeliness, transparency of the reports, and compliance with applicable specifications, laws, and regulations, are accomplished.
2. The internal control system has its inherent limitations. No matter how perfect the design is, an effective internal control system can only provide reasonable guarantees for the achievement of the three objectives identified above; moreover, the effectiveness of the internal control system may vary due to changes in the environment and circumstances. However, FOCI's internal control system has a self-monitoring mechanism. Corrective actions will be taken whenever a defect is identified.
3. The effective design and implementation of the internal control system are assessed based on the criteria to determine the effectiveness of the internal control system stipulated in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "the Regulations"). The internal control system criteria adopted in the "Regulations" are based on the process of management control, and the internal control system is divided into five components: 1. Control environment; 2. Risk assessment; 3. Control operations; 4. Information and Communication; and 5. Supervision of Operations. Each component contains a number of sub-criteria. Refer to the provisions of the "Guidelines" for the criteria above.
4. The internal control system and criteria above are adopted to evaluate the effectiveness of the design and implementation of the internal control system.
5. The assessment results above lead FOCI to believe that the design and implementation of FOCI's internal control system (including the supervision and management of subsidiaries) on December 31, 2022, including the understanding of the effectiveness of operations and the degree of achievement of efficiency goals, reliability, timeliness, and transparency of reports, and compliance with applicable specifications, laws, and regulations, are effective. It is capable of ensuring the achievement of the goals mentioned above reasonably.
6. This statement will form a significant part of FOCI's annual report and prospectus, and will be made public. For falsehoods, concealment, or other illegal matters in the disclosed content mentioned above, applicable legal liabilities under Articles 20, 31, 171, and 174 of the Securities and Exchange Act shall be imposed.
7. This statement was approved by FOCI's board of directors on February 23, 2023. Among the seven directors present, none had any objection. The content of this statement was approved unanimously and hereby declared.

FOCI Fiber Optic Communications, Inc.

Chairman: Song-fure Lin

General Manager: Ting-ta Hu

## **Appendix 2: 2022 parent company only financial statements and independent auditors' report**

### **Independent Auditors' Report (Parent Company Only Financial Statements )**

The Board of Directors of FOCI Fiber Optic Communications, Inc.

#### **Opinion**

We have audited the parent company only financial statements of FOCI Fiber Optic Communications, Inc. (the "Company") which comprise the parent company only balance sheets as of December 31, 2022 and 2021, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **Basis for Opinion**

We conducted our audits of the parent company only financial statements 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 Parent Company Only 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 parent company only financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

## **Assessment of Accounts Receivable Impairment**

### Description of key audit matter

Please refer to Note 4 (9) for the accounting policy of evaluating accounts receivable and refer to Notes 5 (2) and 6 (5) to accounts receivable descriptions. FOCI Fiber Optic Communications, Inc. estimates the expected credit impairment losses that may occur based on historical experience and other known reasons or existing objective evidence. Due to the management's subjective judgment in the assessment and has estimation uncertainty, and considering the significant impact of accounts receivable on the financial statements, therefore assessment of accounts receivable impairment as a key audit item.

### How the matter was addressed in our audit

In relation to the key audit matter above, our principal audit procedures the accounts receivable impairment are as follows:

1. Assess the rationality of the expected credit loss policy provision for accounts receivable.
2. Test the completeness and correctness of the accounts receivable aging analysis table.
3. Evaluate the rationality of expected credit losses based on the customer's past payment records and forward-looking information.
4. Perform post-period collection tests to understand the future recovery of accounts receivable.

### **Responsibilities of management and Those Charged with Governance for the Parent Company Only Financial Statements**

Management is responsible for the preparation and fair presentation of the parent company only 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only 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.

## **Auditor's Responsibilities for the Audit Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only 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 parent company only financial statements.

As part of an audit in accordance with 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 parent company only 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 parent company only 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 parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only 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 parent company only financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our 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.

PricewaterhouseCoopers, Taiwan (Republic of China)

Feb 23, 2023

#### Notice to Readers

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

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

FOCI Fiber Optic Communications, Inc.  
Parent Company Only Balance Sheets  
December 31, 2022 and 2021  
(Expressed in Thousands of New Taiwan dollars)

Assets	Notes	Dec 31, 2022		Dec 31, 2021		
		Amount	%	Amount	%	
<b>Current Assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 314,320	14	\$ 437,055	18
1110	Financial assets at fair value through profit or loss-current	6(2)	162,800	7	32	-
1150	Notes receivable, net	6(5)	92	-	1,027	-
1170	Accounts receivable, net	6(5)	302,517	13	418,222	17
1180	Accounts receivable from related parties, net	6(5) and 7	61,290	3	59,445	3
1200	Other receivables		379	-	311	-
1210	Other receivables form related parties	7	347	-	15	-
1220	Current tax assets		-	-	8,084	-
130X	Inventories	6(6)	236,762	11	255,538	11
1470	Other current assets		6,552	-	6,952	-
<b>11XX</b>	<b>Total Current Assets</b>		<b>1,085,059</b>	<b>48</b>	<b>1,186,681</b>	<b>49</b>
<b>Non-current Assets</b>						
1517	Financial assets at fair value through other comprehensive income- non-current	6(3)	192,265	9	127,942	5
1535	Financial assets at amortised cost-non-current	6(4) and 8	2,939	-	2,997	-
1550	Investments accounted for using equity method	6(7)	508,518	23	565,766	24
1600	Property, plant and equipment	6(8)	325,066	14	345,746	15
1755	Right-of-use assets	6(9)	79,934	4	81,626	3
1760	Investment property, net	6(11)	53,528	2	65,434	3
1780	Intangible assets		2,806	-	422	-
1840	Deferred tax assets	6(28)	9,211	-	6,478	-
1900	Other non-current assets	6(12)	6,123	-	16,986	1
<b>15XX</b>	<b>Total Non-current Assets</b>		<b>1,180,390</b>	<b>52</b>	<b>1,213,397</b>	<b>51</b>
<b>1XXX</b>	<b>Total Assets</b>		<b>\$ 2,265,449</b>	<b>100</b>	<b>\$ 2,400,078</b>	<b>100</b>

(continued on next page)

FOCI Fiber Optic Communications, Inc.  
Parent Company Only Balance Sheets  
December 31, 2022 and 2021  
(Expressed in Thousands of New Taiwan dollars)

Liabilities and Equity	Notes	Dec 31, 2022		Dec 31, 2021		
		Amount	%	Amount	%	
<b>Current Liabilities</b>						
2100	Short term loans	6(13)	\$ 180,000	8	\$ 20,000	1
2130	Contract liabilities-current	6(21)	6,089	-	2,976	-
2150	Notes payable		1,546	-	1,903	-
2170	Accounts payable		35,741	2	75,791	3
2180	Accounts payable to related parties	7	226,419	10	324,118	14
2200	Other payables	6(15) and 7	49,097	2	81,595	3
2230	Current tax liabilities		10,610	1	33,495	1
2280	Lease liabilities-current		5,014	-	4,832	-
2300	Other current liabilities	6(14)	8,514	-	11,721	1
21XX	<b>Total Current Liabilities</b>		<u>523,030</u>	<u>23</u>	<u>556,431</u>	<u>23</u>
<b>Non-current Liabilities</b>						
2570	Deferred tax liabilities	6(28)	3,683	-	12,128	1
2580	Lease liabilities-non-current		76,519	4	78,466	3
2600	Other non-current liabilities	6(16)	1,714	-	2,086	-
25XX	<b>Total Non-current Liabilities</b>		<u>81,916</u>	<u>4</u>	<u>92,680</u>	<u>4</u>
2XXX	<b>Total Liabilities</b>		<u>604,946</u>	<u>27</u>	<u>649,111</u>	<u>27</u>
<b>Equity</b>						
Share Capital						
3110	Ordinary shares	6(17)	883,366	39	882,731	37
Capital surplus						
3200	Capital surplus	6(18)	555,581	24	554,756	23
Retained earnings						
3310	Legal reserve	6(19)	130,433	6	115,107	5
3320	Special reserve		170,586	7	132,277	5
3350	Unappropriated retained earnings		88,764	4	236,682	10
Other equity interest						
3400	Other equity interest	6(20)	( 168,227)	( 7)	( 170,586)	( 7)
Treasury shares						
3500	Treasury shares	6(17)	-	-	-	-
3XXX	<b>Total Equity</b>		<u>1,660,503</u>	<u>73</u>	<u>1,750,967</u>	<u>73</u>
Significant events after the balance sheet date						
3X2X	<b>Total Liabilities and Equity</b>		<u>\$ 2,265,449</u>	<u>100</u>	<u>\$ 2,400,078</u>	<u>100</u>

The accompanying notes are an integral part of these parent company only financial statements

**FOCI Fiber Optic Communications, Inc.**  
**Parent Company Only Statements of Comprehensive Income**  
**For the years ended December 31, 2022 and 2021**  
(Expressed in Thousands of New Taiwan dollars, except earnings per share)

Items	Notes	2022		2021	
		Amount	%	Amount	%
4000 Operating revenues	6(21)	\$ 1,482,915	100	\$ 1,830,273	100
5000 Operating costs	6(6)	( 1,262,854)	( 85)	( 1,504,974)	( 82)
5900 Gross Profits		220,061	15	325,299	18
5910 Unrealized Loss (Profit) on Sales		-	-	( 107)	-
5920 Realized Profit (Loss) on Sales		-	-	276	-
5950 Gross Profits, Net		220,061	15	325,468	18
Operating expenses	6(26)(27)				
6100 Selling expenses		( 29,841)	( 2)	( 32,822)	( 2)
6200 Administrative expenses		( 55,493)	( 4)	( 60,652)	( 3)
6300 Research and development expenses		( 77,580)	( 5)	( 84,309)	( 5)
6450 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9		336	-	434	-
6000 Total Operating expenses		( 162,578)	( 11)	( 177,349)	( 10)
6900 Operating income		57,483	4	148,119	8
Non-operating income and expenses					
7100 Interest income	6(22)	1,301	-	593	-
7010 Other income	6(23)	2,229	-	7,947	1
7020 Other gains and losses	6(24)	( 47,097)	( 3)	56,056	3
7050 Financial costs, net	6(25)	( 2,471)	-	( 2,160)	-
7070 Share of profit of subsidiaries, associates and joint ventures	6(7)	51,912	3	42,037	2
7000 Total Non-Operating Income and Expenses		5,874	-	104,473	6
7900 <b>Profit (loss) before tax</b>		63,357	4	252,592	14
7950 Income tax expense	6(28)	( 16,336)	( 1)	( 50,948)	( 3)
8000 <b>Profit (loss) from continuing operations</b>		47,021	3	201,644	11
8200 <b>Net Profit</b>		\$ 47,021	3	\$ 201,644	11
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified to profit</b>					
8311 Gains (losses) on remeasurements of defined benefit plans	6(16)	\$ -	-	\$ -	-
8316 Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)(20)	( 5,680)	-	( 50,044)	( 3)
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361 Exchange differences on translation	6(20)	10,049	-	3,944	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss		( 2,010)	-	( 788)	-
8300 <b>Other comprehensive income, net</b>		\$ 2,359	-	( \$ 46,888)	( 3)
8500 <b>Total comprehensive income</b>		\$ 49,380	3	\$ 154,756	8
Basic earnings per share	6(29)				
9750 Basic earnings per share		\$	0.53	\$	2.31
Diluted earnings per share	6(30)				
9850 Diluted earnings per share		\$	0.53	\$	2.27

The accompanying notes are an integral part of these parent company only financial statements.

**FOCI Fiber Optic Communications, Inc.**  
**Parent Company Only Statements of Changes in Equity**  
**For the years ended December 31, 2022 and 2021**  
**(Expressed in Thousands of New Taiwan dollars)**

	Notes	Retained Earnings				Other equity interest				Total Equity
		Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury shares	
Year ended December 31, 2021										
Balance at January 1, 2021		\$ 910,739	\$ 585,431	\$ 108,103	\$ 81,301	\$ 228,478	(\$ 42,631)	(\$ 89,647)	(\$ 126,347)	\$ 1,655,427
Net profit		-	-	-	-	201,644	-	-	-	201,644
Other comprehensive income (loss) for the year		-	-	-	-	-	3,156	( 50,044)	-	( 46,888)
Total comprehensive income (loss)		-	-	-	-	201,644	3,156	( 50,044)	-	154,756
Distribution of retained earnings of 2020:	6(19)									
Legal reserve		-	-	7,004	-	( 7,004)	-	-	-	-
Special reserve		-	-	-	50,976	( 50,976)	-	-	-	-
Cash dividends		-	-	-	-	( 87,074)	-	-	-	( 87,074)
Convertible corporate bond conversion		11,992	15,866	-	-	-	-	-	-	27,858
Treasury shares cancellation	6(17)	( 40,000)	( 46,541)	-	-	( 39,806)	-	-	126,347	-
Disposal of equity instruments measured at fair value through other comprehensive income	6(3)	-	-	-	-	( 8,580)	-	8,580	-	-
Balance at December 31, 2021		\$ 882,731	\$ 554,756	\$ 115,107	\$ 132,277	\$ 236,682	(\$ 39,475)	(\$ 131,111)	\$ -	\$ 1,750,967
Year ended December 31, 2022										
Balance at January 1, 2022		\$ 882,731	\$ 554,756	\$ 115,107	\$ 132,277	\$ 236,682	(\$ 39,475)	(\$ 131,111)	\$ -	\$ 1,750,967
Net profit		-	-	-	-	47,021	-	-	-	47,021
Other comprehensive income (loss) for the year		-	-	-	-	-	8,039	( 5,680)	-	2,359
Total comprehensive income (loss)		-	-	-	-	47,021	8,039	( 5,680)	-	49,380
Distribution of retained earnings of 2021:	6(19)									
Legal reserve		-	-	15,326	-	( 15,326)	-	-	-	-
Special reserve		-	-	-	38,309	( 38,309)	-	-	-	-
Cash dividends		-	-	-	-	( 141,304)	-	-	-	( 141,304)
Convertible corporate bond conversion		635	825	-	-	-	-	-	-	1,460
Balance at December 31, 2022		\$ 883,366	\$ 555,581	\$ 130,433	\$ 170,586	\$ 88,764	(\$ 31,436)	(\$ 136,791)	\$ -	\$ 1,660,503

The accompanying notes are an integral part of these parent company only financial statements.

FOCI Fiber Optic Communications, Inc.  
Parent Company Only Statements of Cash Flows  
For the years ended December 31, 2022 and 2021  
(Expressed in Thousands of New Taiwan Dollars)

	Notes	2022	2021
<b>Cash Flows from Operating Activities</b>			
Profit before tax		\$ 63,357	\$ 252,592
Adjustment Item			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(26)	67,683	70,016
Amortization expense	6(26)	570	304
Expected credit loss (gains for reversal)	12(2)	( 336 )	( 434 )
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	6(24)	74,690	( 36,661 )
Interest expense	6(25)	2,471	2,160
Interest income	6(22)	( 1,301 )	( 593 )
Dividend income	6(2)(23)	( 1,095 )	( 1,177 )
Share of profits of subsidiaries, associates and joint ventures	6(7)	( 51,912 )	( 42,037 )
Loss (gain) on disposal of property, plan and equipment	6(24)	( 97 )	318
Impairment loss on non-financial assets	6(24)	-	( 17,162 )
Unrealized (realized) gains with subsidiaries		97	( 169 )
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		935	( 976 )
Accounts receivable		116,041	( 176,933 )
Accounts receivable from related parties		( 1,845 )	612
Other receivables		( 6 )	( 47 )
Other receivables from related parties		( 332 )	103
Inventories		18,776	( 94,702 )
Other current assets		400	4,762
Other non-current assets		-	505
Changes in operating liabilities			
Contract liabilities - Current		3,113	987
Notes payable		( 357 )	252
Accounts payable		( 40,050 )	( 3,148 )
Accounts payable to related parties		( 97,699 )	120,362
Other payables		( 36,352 )	8,424
Other current liabilities		( 1,893 )	1,931
Net defined benefit liability		-	( 1,650 )
Cash inflow generated from operations		114,858	87,639
Dividends received	6(2)	1,095	1,177
Income tax paid		( 42,315 )	( 7,725 )
Net cash flows from (used in) operating activities		73,638	81,091

(continued on next page)

FOCI Fiber Optic Communications, Inc.  
Parent Company Only Statements of Cash Flows  
For the years ended December 31, 2022 and 2021  
(Expressed in Thousands of New Taiwan Dollars)

	Notes	2022	2021
<u>Cash Flows from Investing Activities</u>			
Acquisition of financial assets at fair value through other comprehensive income		(\$ 70,002 )	(\$ 69,911 )
Disposal (acquisition) of financial assets measured at amortized cost		58	( 27 )
Acquisition of financial assets at fair value through profit or loss		( 237,460 )	( 12,924 )
Proceeds from disposal of financial assets at fair value through profit or loss		-	267,952
Dividends paid by subsidiaries		117,102	-
Acquisition of property, plant, and equipment	6(30)	( 10,699 )	( 23,261 )
Disposal of property, plant, and equipment		290	266
Decrease in refundable deposits		597	2
Acquisition of Intangible Assets		( 2,954 )	-
Advance payment for equipment (increase) decrease		( 5,251 )	2,060
Interest received		1,239	611
Net cash flows from (used in) investing activities		( 207,080 )	164,768
<u>Cash Flows from Financing Activities</u>			
Increase (Decrease) in short-term loans	6(31)	160,000	( 40,000 )
Increase(Decrease) in guarantee deposits received		( 372 )	144
Payments of lease liabilities	6(31)	( 5,378 )	( 4,637 )
Cash dividends paid	6(19)	( 141,304 )	( 87,074 )
Interest Paid		( 2,239 )	( 1,577 )
Net cash flows from (used in) financing activities		10,707	( 133,144 )
Net increase (decrease) in cash and cash equivalents		( 122,735 )	112,715
Cash and cash equivalents at beginning of year		437,055	324,340
Cash and cash equivalents at end of year		\$ 314,320	\$ 437,055

The accompanying notes are an integral part of these parent company only financial statements.

FOCI Fiber Optic Communications, Inc.  
Notes to The Parent Company Only Financial Statements  
For the years ended December 2022 and 2021  
(Expressed in Thousands of New Taiwan Dollars, Unless otherwise specified)

1. Company History

FOCI Fiber Optic Communications, Inc. (hereinafter referred to as “the Company”) was established in the Republic of China on Jun 14, 1995, and started business in September of the same year. The main businesses of the Company are R&D, manufacturing, and sales of various optical fiber passive components, optical fiber test instruments, optical fiber application systems, and planning, design, consulting, and technical services for the integration of the product mentioned above systems.

The Company’s stock has been listed on the Taipei Exchange since Feb 25, 2011.

2. Dates and Procedures for Approval of Financial Reports

This Parent Company Only financial statements were approved by the board of directors on Feb 23, 2023.

3. Application of New and Revised Standards and Interpretations

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became effective from 2022 are as follows :

<u>New standards, interpretations and amendments</u>	<u>Effective date of IASB issue</u>
Amendments to IFRS No.3 “Reference to the conceptual framework”	1/1/2022
Amendments to IAS No. 16 “Property, plant, and equipment: proceeds before intended use”	1/1/2022
Amendments to IAS No. 37 “Onerous contracts—costs of fulfilling a contracts”	1/1/2022
Annual Improvement to IFRS standards 2018-2020	1/1/2022

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(2) Effect of new issuances of or amendments to IFRS as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows :

<u>New standards, interpretations and amendments</u>	<u>Effective date of IASB issue</u>
Amendments to IAS No. 1 “Disclosure of accounting policies”	1/1/2023
Amendments to IAS No. 8 “Definition of accounting estimates”	1/1/2023
Amendments to IAS No. 12 “Deferred tax related to assets and liabilities arising from a single transaction”	1/1/2023

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(3) Effect of IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows :

<u>New standards, interpretations and amendments</u>	<u>Effective date of IASB issue</u>
Amendments to IFRS No. 10 and IAS No. 28 “Sales or contributions of assets between an investor and its associate or joint ventures”	To be determined by IASB
Amendments to IFRS 16 No. “Lease liabilities in a sale and leaseback”	1/1/2024
IFRS No. 17 “ Insurance contracts”	1/1/2023
Amendments to IFRS No. 17 “Insurance contracts”	1/1/2023
Amendments to IFRS No. 17 “Initial application of IFRS No. 17 and IFRS No. 9 - comparative information”	1/1/2023
Amendments to IAS No. 1 “Classification of liabilities as current or non-current”	1/1/2024
Amendments to IAS No. 1 “Non-current liabilities with covenants”	1/1/2024

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

#### 4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. The policies have been consistently applied to the periods presented, unless otherwise stated.

(1) Compliance Statement

This parent company only financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

## (2) Compilation Basis

1. Except for the following important items, this parent company only financial statements have been prepared under the historical cost convention:
  - a. Financial assets and liabilities (including derivatives) measured at fair value through profit or loss.
  - b. Financial assets measured at fair value through other comprehensive income.
  - c. Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligations.
2. The preparation of financial statements in conformity with the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (hereinafter referred to as IFRSs) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

## (3) Foreign Currency Translation

This parent company only financial statements are presented in the company's functional currency, "New Taiwan Dollar," as the expression currency.

1. Foreign currency transactions and balance
  - a. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
  - b. Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
  - c. The translation of the balance of non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated.
  - d. All foreign exchange gains are presented in the statement of comprehensive income within 'other gains and losses'.
2. Translation of foreign operations  
The operating results and financial position of all company entities, associates and joint agreements that have a functional currency different from the presentation currency are translated into the presentation currency as follows :
  - a. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
  - b. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - c. All resulting exchange differences are recognised in other comprehensive income.

## (4) Classification of current and non-current items

1. Assets that meet one of the following criteria are classified as current assets.
  - a. Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - b. Assets held mainly for trading purposes.
  - c. Assets that are expected to be realised within twelve months from the balance sheet date;

- d. Cash and cash equivalents, excluding those restricted cash and cash equivalents that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.  
Assets that do not meet the above conditions are classified as non-current assets.
2. Liabilities that meet one of the following criteria are classified as current liabilities.
  - a. Liabilities that are to be settled within the normal operating cycle;
  - b. Liabilities held mainly for trading purposes;
  - c. Liabilities that are to be settled within twelve months from the balance sheet date;
  - d. Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Liabilities that do not meet the above conditions are classified as non-current liabilities.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

(6) Financial assets at fair value through profit or loss

1. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
2. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.
3. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
4. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Financial assets at fair value through other comprehensive income

1. Financial assets at fair value through other comprehensive income comprise equity instruments which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
2. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using settlement date accounting.
3. They are initial recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value. The changes in fair value of equity instruments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(8) Financial assets at amortised cost

1. Financial assets at amortised cost are those that meet all of the following criteria:
  - a. The objective of the Company's business model is achieved by collecting contractual cash flows.
  - b. The assets' contractual cash flows represent solely payments of principal and interest.
2. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

3. Bank deposits with restricted use are classified as financial assets at amortised cost because they do not meet the cash and cash equivalents definition.
4. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and Notes Receivable

1. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
2. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition, or recognises the impairment provision for the lifetime expected credit losses (the "ECLs") if such credit risk has increased since initial recognition. On the other hand, for accounts receivable that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

Financial assets are derecognised when the Company's contractual rights to receive cash flows from the financial assets expire.

(12) Operating lease (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(13) Inventories

Inventories are stated at the lower of cost and net realisable value, and the cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs, and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated of completion and applicable variable selling expenses.

(14) Investments accounted for using equity method / Subsidiaries and associates

1. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
2. Unrealised gains or losses arising from transactions between the Company and subsidiaries are eliminated. Accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
3. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.
4. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity

transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

5. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.
6. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
7. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
8. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
9. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless evidence show an impairment of the asset transferred from the transaction. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
10. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionally, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then "capital surplus" and "investment accounted for under the equity method." shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

11. When the Company disposes its investment in an associate and loses significant influence over the associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amount previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
12. Pursuant to the “Regulations Governing the Preparation of Financial Reports by Securities Issuers,” profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall be equal to the amount attributable to owners of the parent in the financial statements prepared on a consolidation basis. Owners’ equity in the parent company only financial statements shall be equal to equity attributable to owners of the parent in the financial statements prepared on a consolidation basis.

(15) Property, Plant, and Equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
2. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
3. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
4. The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets’ residual values and useful lives differ from previous estimates or the patterns of consumption of the assets’ future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, ‘Accounting policies, changes in accounting estimates and errors’, from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	2 to 55 years
Machinery equipment	5 to 8 years
R&D equipment	3 years
Transport equipment	5 years
Office equipment	5 to 10 years

(16) Lease arrangements (lessees) - right-of-use assets/lease liabilities

1. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
2. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:
  - a. Fixed payment, less any lease incentives receivable; and
  - b. Variable lease payments that depend on an index or a rate;

- c. The amount expected to be paid by the Company under the residual value guarantee;
- d. The exercise price of the option to purchase, if the lessee is reasonably certain to exercise the option; and
- e. The penalty payable for the lease termination if the lease period reflects that the lessee will exercise the option to terminate the lease.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

3. At the commencement date, the right-of-use asset is stated at cost comprising the following :
  - a. The amount of the initial measurement of lease liability;
  - b. Any lease payments made at or before the commencement date;
  - c. Any original direct costs incurred; and
  - d. The estimated cost of dismantling, removing, and restoring the subject asset to its location or restoring the subject asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(17) Investment property

Investment property is recognised at acquisition cost, and the subsequent measurement adopts the cost model. Depreciation is provided on a straight-line basis based on the estimated useful life, which ranges from 8 to 55 years.

(18) Intangible Assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 years.

(19) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(20) Loans

It refers to long-term and short-term funds borrowed from banks. The Company is measured at its fair value, less transaction costs at the time of original recognition. Subsequently, any difference between the price after deducting transaction costs and the redemption value shall be recognized as interest expense in profit or loss during the circulation period using the effective interest method and amortization procedures.

(21) Accounts and notes payable

1. Refers to the debts incurred due to the purchase of raw materials, commodities, or labor services on credit and the business and non-business notes payable.

2. Short-term accounts and notes payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(22) Convertible corporate bonds payable

1. The convertible corporate bonds payable issued by the Company are embedded with conversion rights (the holders can choose to convert into ordinary shares of the Company and convert a fixed number of shares for a fixed amount), sell-back rights, and buy-back rights. At the time of initial issuance, the issue price is classified into financial assets, financial liabilities, or equity according to the issuance conditions, and the treatment is as follows:
  - a. Embedded sell-back rights and buy-back rights: “Financial assets or liabilities measured at fair value through profit or loss” are recorded at the net amount of their fair value at the time of original recognition. After the balance sheet date, according to the current fair value evaluation, the difference is recognized as “financial asset (liability) gain or loss measured at fair value through profit or loss.”
  - b. The main contract of corporate bonds: the difference between the fair value and the redemption value at the time of original recognition is recognized as the premium or discount of corporate bonds payable. The subsequent adoption of the effective interest method and amortization procedures will be recognized in profit or loss during the circulation period as a “finance cost” adjustment item.
  - c. Embedded conversion rights (in line with the definition of equity): At the time of original recognition, the remaining value less the “financial assets or liabilities at fair value through profit or loss” and “corporate bonds payable” from the issued amount is recorded as “Capital surplus - stock options.” It will not be remeasured in the future.
  - d. Any directly attributable transaction costs of the issuance shall be allocated to the respective components of liabilities and equity in proportion to the original book value of the components above.
  - e. When the holder converts, the book liabilities components (including “corporate bonds payable” and “financial assets or liabilities at fair value through profit or loss”) are treated according to the subsequent measurement method of their classification. Then, the “capital surplus - stock option” is added to the book value of the liability components above as the issuance cost of the common stock.

(23) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(24) Non-hedging derivatives and embedded derivatives

1. Non-hedging derivatives are measured at the fair value on the contract signing date at the time of initial recognition. They are listed as financial assets or liabilities measured at fair value through profit or loss, and the gain or loss is recognized in profit or loss for subsequent fair value measurement.
2. For a financial asset hybrid contract of embedded derivatives, the contract terms at the original recognition determine that the overall hybrid instrument is classified as a financial asset at fair value through profit or loss, other comprehensive profit or loss, and financial asset at amortized cost.
3. A non-financial asset hybrid contract of embedded derivatives is judged according to the contract terms at the time of original recognition: how closely the economic characteristics and risks of the embedded derivatives and the contract are related to determine whether to treat them separately. When closely related, the overall hybrid instrument shall be handled according to appropriate criteria by its nature. When it is not closely related, the derivative is separated from the contract and treated as a derivative. The contract is treated according to the appropriate criteria by its nature, or it is designated as a financial liability at fair value through profit or loss at original recognition.

(25) Employee Benefits

## 1. Short-Term Employee Benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

## 2. Pension

### a. Definite Contribution Plan

For the defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

### b. Definite Benefit Plan

i. Net obligation under a defined benefit plans is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds ( at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurements arising on defined benefit plan are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognised immediately in profit or loss.

### c. Employees' compensation, and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

## (26) Income tax

1. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
2. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional income tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

3. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
4. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(27) Share capital

1. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
2. When the Company repurchases issued stocks, the consideration paid, including any directly attributable incremental costs, shall be recognized as a deduction of shareholders' equity at a net amount after tax. When the repurchased shares are reissued, the difference between the consideration received after deducting any directly attributable incremental costs and the impact of income tax and the book value is recognized as an adjustment to shareholders' equity.

(28) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(29) Revenue recognition

1. Sales of goods
  - a. The Company manufactures and sells various optical fiber passive components, optical fiber testing instruments, and optical fiber application systems. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
  - b. As the time interval between the transfer of committed goods or services to the customer and the payment of customer does not exceed one year, the Company does not adjusted the transaction price to reflect the time value of money.
  - c. Accounts receivable are recognised when the goods are delivered to the customer because the Company has unconditional rights to the contract price from that point in time. The consideration can be collected from the customer only after time passes.

## 2. Customer Contract Acquisition Cost

Although the incremental costs incurred by the Company to acquire customer contracts are expected to be recoverable, the relevant contract period is under one year. These costs are recognized as expenses when incurred.

## 5. Critical accounting judgments, estimates and key sources of assumption uncertainty

The preparation of these parent company only financial statements requires management to make critical judgments in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continuously evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the critical accounting estimates and assumptions uncertainty information is addressed below :

### (1) Critical judgments on the adoption of accounting policies

None.

### (2) Critical accounting estimates and assumptions

Impairment of accounts receivable:

The Company's accounts receivable are measured against allowance losses based on lifetime expected credit losses. When calculating expected credit losses, the Company considers historical experience and judgment to identify factors that affect the future recoverability of accounts receivable. For example: refer to the counterparty's past default record and analyze its current financial situation while considering the time value of money and the reasonable and substantiated information of the forecast of future economic conditions. The judgments and considerations above may significantly affect the measurement of expected losses.

As of Dec 31, 2022, the Company's accounts receivable book value was \$363,807.

## 6. Description of Important Accounting Items

### (1) Cash and cash equivalents

	Dec 31, 2022	Dec 31, 2021
Cash on hand	\$ 50	\$ 50
Checking accounts and demand deposits	85,270	58,620
Time deposits	229,000	378,385
Total	<u>\$ 314,320</u>	<u>\$ 437,055</u>

1. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
2. The Company's restricted cash and cash equivalents are classified as "Financial assets at amortised cost- non-current", please refer to Notes 6 (4) and 8 for details.

(2) Financial assets at fair value through profit or loss

	<u>Dec 31, 2022</u>	<u>Dec 31, 2021</u>
Current Items:		
Financial assets mandatorily at fair value through profit or loss		
Listed stocks	\$ 237,460	\$ -
Evaluation adjustment	( 74,660 )	-
	<u>\$ 162,800</u>	<u>\$ -</u>
Financial assets held for trading		
Derivatives	(\$ 46 )	(\$ 56)
Evaluation adjustment	46	88
	<u>\$ -</u>	<u>\$ 32</u>

1. The details of recognised financial assets measured at fair value through profit or loss are as follows:

<u>Item</u>	<u>2022</u>	<u>2021</u>
Financial assets mandatorily at fair value through profit or loss		
Equity Instrument	(\$ 74,660)	\$ 36,622
Financial assets held for trading		
Derivatives	(\$ 30)	\$ 39

2. Please refer to Note 12 (2) and (3) for relevant price risk information and fair value.
3. Please refer to Note 6 (14) for the derivatives listed as “financial assets at fair value through profit or loss” in the Company’s book.

(3) Financial assets at fair value through other comprehensive income

<u>Item</u>	<u>Dec 31, 2022</u>	<u>Dec 31, 2021</u>
Non-current Items:		
Equity Instrument		
Emerging stock	\$69,911	\$69,911
Unlisted stocks	259,144	189,142
Evaluation adjustment	( 136,790)	( 131,111)
Total	<u>\$ 192,265</u>	<u>\$ 127,942</u>

1. The Company chooses to classify equity instruments that are strategic investments as financial assets at fair value through other comprehensive income. The fair values of these investments on Dec 31, 2022, and 2021 were \$192,265 and \$127,942, respectively.

2. The details of the recognised financial assets measured at fair value through other comprehensive income are as follows:

Item	2022	2021
Equity instruments at fair value through other comprehensive income		
Changes in fair value recognised in other comprehensive income	(\$ 5,680)	(\$ 50,044)
Dividend income recognised in profit or loss held at the end of the current period	\$ 1,095	\$ 1,177
Accumulated gains or losses transferred to retained earnings due to delisting	\$ -	(\$ 8,580)

(4) Financial assets at amortised cost

Item	Dec 31, 2022	Dec 31, 2021
Non-current Item:		
Time deposit	\$ 2,939	\$ 2,997

1. The details of financial assets recognized in profit or loss at cost after amortization are as follows:

Item	2022	2021
Interest Income	\$ 20	\$ 23

2. Without considering the collateral held or other credit enhancements, it is the most representative of the financial assets held by the Company at amortized cost. On Dec 31, 2022, and 2021, the maximum credit risk exposure amount was \$2,939 and \$2,997, respectively.
3. Please refer to Note 12 (2) for information on the credit risk of financial assets measured at cost after amortization. The trading objects of the Company's investment certificates of deposit are financial institutions with good credit quality, and the possibility of default is expected to be very low.
4. Please refer to Note 8 for information on guarantees provided by the Company in terms of financial assets measured at amortized cost - non-current.

(5) Notes and accounts receivable

	Dec 31, 2022	Dec 31, 2021
Notes Receivable	\$92	\$1,027
Accounts Receivable - Customers	304,342	420,420
Accounts Receivable - from related parties	61,290	59,445
	\$ 365,724	\$ 480,892
Less: Allowance for bad debts	( 1,825)	( 2,198)
	\$ 363,899	\$ 478,694

1. The maturity analysis of accounts receivable and notes receivable is as follows:

	Dec 31, 2022		Dec 31, 2021	
	Accounts Receivable	Notes Receivable	Accounts Receivable	Notes Receivable
Non overdue	\$ 322,415	\$ 92	\$ 432,631	\$ 1,027
Under 30 days	37,138	-	23,706	-
31-90 days	2,535	-	23,170	-
91-180 days	3,544	-	180	-
Over 181 days	-	-	178	-
	<u>\$ 365,632</u>	<u>\$ 92</u>	<u>\$ 479,865</u>	<u>\$ 1,027</u>

The above is a maturity analysis based on the number of days overdue.

2. The accounts receivable and notes receivable balances on Dec 31, 2022, and 2021 were all due to customer contracts. In addition, the receivable balance of the customer contract on Jan 1, 2021, was \$310,467.
3. Without considering the collateral held or other credit enhancements, the maximum amount of exposure that best represents the Company's bills receivable credit risk on Dec 31, 2022, and 2021 is \$92 and \$1,027, respectively. The maximum risk exposure that best represents the credit risk of the Company's accounts receivable on Dec 31, 2022, and 2021 was \$363,807 and \$477,667, respectively.
4. For credit risk information on notes and accounts receivable, please refer to Note 12 (2).
- (6) Inventories

	Dec 31, 2022	Dec 31, 2021
Finished goods	\$ 221,154	\$ 216,468
Work in process	3,842	7,259
Raw materials	29,051	50,793
Subtotal	254,047	274,520
Allowance to reduce inventory to market	( 17,285)	( 18,982)
Total	<u>\$ 236,762</u>	<u>\$ 255,538</u>

Inventory Cost Recognized as Expense and Loss by the Company in the Current Period:

	2022	2021
Cost of goods sold	\$ 1,244,869	\$ 1,493,097
Loss on market value decline(recovery gains) of inventories	( 1,697)	7,462
Scrap loss of Inventories	17,924	2,385
Lease Cost	1,758	2,030
	<u>\$ 1,262,854</u>	<u>\$ 1,504,974</u>

In 2022, due to the company's active destocking, the net realizable value of the inventory rebounded, and it was recognized as a decrease in the cost of goods sold.

(7) Investments by equity method

	Dec 31, 2022	Dec 31, 2021
Subsidiary		
FIOPTTEC Inc.		
(Cayman Island)	\$ 493,845	\$ 546,356
Associate		
BKS TEC Corp.	14,673	19,410
Total	<u>\$ 508,518</u>	<u>\$ 565,766</u>

1. Subsidiary

For information on the Company's subsidiaries, please refer to Note 4(3) of the Company's 2022 consolidated financial report.

2. Individual insignificant associate

Since the Company acquired a seat on the board of directors of BKS TEC Corp. in July 2021, it is considered to have a significant impact.

(8) Property, plant, and equipment

	2022						
	Buildings and Structures	Mechanical Equipment	R&D Equipment	Transportation Equipment	Office Equipment	Equipment Under installation and Construction in progress	Total
<u>Cost</u>							
Jan 1	\$370,421	\$223,256	\$33,991	\$590	\$2,761	\$ -	\$631,019
Current Period Increase	961	2,390	10,726	-	179	-	14,256
Current Period Disposal	(1,047)	(5,092)	(27,284)	-	(300)	-	(33,723)
Current Period Reclassification	17,553	(31,109)	59,752	-	-	-	46,196
Dec 31	<u>387,888</u>	<u>189,445</u>	<u>77,185</u>	<u>590</u>	<u>2,640</u>	<u>-</u>	<u>657,748</u>
<u>Accumulated Depreciation And Impairment</u>							
Jan 1	155,719	101,890	25,965	291	1,408	-	285,273
Current Period Increase	16,554	30,466	13,077	118	405	-	60,620
Current Period Disposal	(1,048)	(4,898)	(27,284)	-	(300)	-	(33,530)
Current Period Reclassification	7,405	(16,883)	29,797	-	-	-	20,319
Dec 31	<u>178,630</u>	<u>110,575</u>	<u>41,555</u>	<u>409</u>	<u>1,513</u>	<u>-</u>	<u>332,682</u>
Net Amount	<u>\$ 209,258</u>	<u>\$ 78,870</u>	<u>\$ 35,630</u>	<u>\$ 181</u>	<u>\$ 1,127</u>	<u>\$ -</u>	<u>\$ 325,066</u>

2021

	Buildings and Structures	Mechanical Equipment	R&D Equipment	Transportation Equipment	Office Equipment	Equipment Under installation and Construction in progress	Total
<u>Cost</u>							
Jan 1	\$ 361,456	\$217,532	\$35,607	\$590	\$2,761	\$3,075	\$621,021
Current Period Increase	11,556	7,051	1,968	-	-	-	20,575
Current Period Disposal	(1,265)	(2,276)	(3,584)	-	-	-	(7,125)
Current Period Reclassification	(1,326)	949	-	-	-	(3,075)	(3,452)
Dec 31	<u>370,421</u>	<u>223,256</u>	<u>33,991</u>	<u>590</u>	<u>2,761</u>	<u>-</u>	<u>631,019</u>
<u>Accumulated Depreciation And Impairment</u>							
Jan 1	141,505	68,783	18,013	173	963	-	229,437
Current Period Increase	15,432	35,383	11,536	118	445	-	62,914
Current Period Disposal	( 681)	( 2,276)	( 3,584)	-	-	-	( 6,541)
Current Period Reclassification	( 537)	-	-	-	-	-	( 537)
Dec 31	<u>155,719</u>	<u>101,890</u>	<u>25,965</u>	<u>291</u>	<u>1,408</u>	<u>-</u>	<u>285,273</u>
Net Amount	<u>\$ 214,702</u>	<u>\$ 121,366</u>	<u>\$ 8,026</u>	<u>\$ 299</u>	<u>1,353</u>	<u>\$ -</u>	<u>\$ 345,746</u>

1. The major components of the Company's buildings include the factory, electromechanical power equipment and project, and clean rooms. Depreciation shall be accrued according to its service life of 55 years, 10 years, and 10 years, respectively.
2. The Company's equipment is for self-use and not leased to others.

(9) Leasing arrangements – lessee

1. The underlying assets leased by the Company include land, buildings, and official vehicles. The lease contract period usually ranges from 1 to 20 years.
2. The book value of the right-of-use asset and the recognized depreciation expenses are as follows:

	12/31/2022	12/31/2021
	Book Value	Book Value
Land	\$75,019	\$77,388
Building	907	1,897
Transportation equipment (official vehicles)	3,179	1,015
R&D equipment	829	1,326
	<u>\$79,934</u>	<u>\$81,626</u>

	2022	2021
	Depreciation Expense	Depreciation Expense
Land	\$ 2,369	\$ 2,370
Building	990	990
Transportation equipment (official vehicles)	1,448	1,546
R&D equipment	498	166
	<u>\$ 5,305</u>	<u>\$ 5,072</u>

3. The increase in the Company's right-of-use assets in 2022 and 2021 was \$3,613 and \$1,492, respectively.
4. The profit and loss items related to the lease contract are as follows:

	2022	2021
Items affecting current profit and loss		
Interest expense on the lease liability	\$ 1,036	\$ 1,042
Expense for short-term lease contracts	162	796
Expense for the low-value assets lease	339	282
Total	<u>\$ 1,537</u>	<u>\$ 2,120</u>

5. The Company's total lease cash outflows in 2022 and 2021 were \$6,915 and \$6,757, respectively.

(10) Leasing arrangements – lessor

1. The underlying assets leased by the Company include buildings. The period of the lease contract usually ranges from 1 to 3 years. The lease contract is negotiated individually and contains various terms and conditions. To secure the leased assets, the lessee is usually required not to use the leased asset as a loan guarantee, or the lessee must provide a certain amount of security deposit.
2. The Company recognized rental income of \$10,514 and \$12,056 based on operating lease contracts in 2022 and 2021, respectively; none belonged to variable lease payments.

3. The due date analysis of the Company's lease payments under operating leases is as follows:

	12/31/2022	12/31/2021
Under 1 year	\$10,182	\$5,387
1 to 5 years	13,988	-
Total	<u>\$24,170</u>	<u>\$5,387</u>

(11) Investment property

	12/31/2022	12/31/2021
Buildings and structures		
Cost		
Beginning balance	\$111,989	\$110,663
Current period reclassification	(17,553)	1,326
Ending balance	<u>94,436</u>	<u>111,989</u>
Accumulated depreciation		
Beginning balance	46,555	43,988
Current period increase	1,758	2,030
Current period reclassification	(7,405)	537
Ending Balance	<u>40,908</u>	<u>46,555</u>
Cumulative impairment		
Beginning balance	-	17,162
Current period reversal	-	(17,162)
Ending balance	<u>-</u>	<u>-</u>
Ending Balance	<u>\$53,528</u>	<u>\$65,434</u>

1. Rental income and direct operating expenses of investment property:

	2022	2021
Rental income of investment property	<u>\$10,514</u>	<u>\$12,056</u>
Direct operating expenses incurred by investment property that generates rental income in the current period	<u>\$1,758</u>	<u>\$2,030</u>

2. The fair values of the investment property held by the Company on Dec 31, 2022, and 2021 was \$92,956 and \$72,013, respectively. The evaluation uses the income method, which belongs to the third fair value level. The main assumptions are as follows:

	12/31/2022	12/31/2021
Discount Rate	<u>2.22%</u>	<u>1.595%</u>

(12) Other non-current assets

	12/31/2022	12/31/2021
Equipment Prepayment	\$ 3,420	\$ 13,686
Refundable Deposits	2,703	3,300
Total	<u>\$ 6,123</u>	<u>\$ 16,986</u>

(13) Short term Loans

<u>Loan Nature</u>	<u>12/31/2022</u>	<u>Interest Rate Interval</u>	<u>Collateral</u>
Bank Credit Loan	\$180,000	1.58%-1.7%	None
<u>Loan Nature</u>	<u>12/31/2021</u>	<u>Interest Rate Interval</u>	<u>Collateral</u>
Bank Credit Loan	\$20,000	0.86%	None

(14) Corporate Bonds Payable

	<u>12/31/2022</u>	<u>12/31/2021</u>
Corporate bonds payable	\$ 6,900	\$ 8,400
Less: Discount of corporate bonds payable	(71)	(256)
Less: Corporate bonds with sell-back rights within one year	6,829	8,144
	<u>(6,829)</u>	<u>(8,144)</u>
	\$ -	\$ -

1. The conditions for the issuance of the second domestic unsecured convertible corporate bond are as follows:
  - a. The Company raised and issued the second domestic non-guaranteed convertible corporate bond approved by the competent authority. The total issuance amount is \$400,000, 0% coupon rate, 5 years from Sept 6, 2018, to Sept 6, 2023. When the convertible corporate bonds mature, they will be repaid in cash in one lump sum according to the face value of the bonds. The convertible corporate bonds were listed and traded at the TPEX on Sept 6, 2018.
  - b. For the convertible corporate bondholders, from the day after the three months expiration after the issuance date to the maturity date, except for the transfer suspension period as required by regulations or laws, the Company may request to convert into common stock at any time. The rights and obligations of the converted common stock are the same as those of the initially issued common stock.
  - c. The converted corporate bonds conversion price is NT\$26.8 per share. However, after the Company's convertible corporate bonds issuance, if the Company encounters the following circumstances, the conversion price will be adjusted according to the formula stipulated in terms of issuance.
    - i. Increase in the number of shares of common stock issued (or privately placed).
    - ii. The common stock cash dividends ratio to each share's current price exceeds 1.5%.
    - iii. Reissue (or privately place) various securities with common share conversion rights or stock warrants at prices lower than the current price per share.
    - iv. Decrease in common stock due to capital reduction, not due to cancellation of treasury stock.

On Jul 2, 2022, and Jul 3, 2021, the Company adjusted the conversion price to NT\$22.7 and NT\$24.1 per share, respectively, because the cash dividend of common stock accounted for more than 1.5% of the market price per share.
  - d. From the day after the convertible corporate bonds issuance three months to the 40th day before the expiration of the issuance period, suppose the closing price of the Company's common stock exceeds the current conversion price by 30% (inclusive) for 30 consecutive business days, or the outstanding balance is less than 10% of the original issued total face value. In that case, the Company will implement the call-back request. The principal convertible corporate bonds of the bondholder shall be recovered in cash at face value of the bonds within five business days after the bond recovery base date.
  - e. The dates on which the convertible corporate bonds have been issued for two, three, and four years are the benchmark dates for the convertible corporate bondholders to sell back the convertible corporate bonds in advance. The Company shall notify the bondholders 40 days

- before the sell-back base date that the Company accepts the sell-back request and shall redeem the convertible corporate bonds in cash within five business days after the sell-back base date.
- f. According to the conversion regulations, all the convertible corporate bonds withdrawn (including repurchased by TPEX), repaid, or converted by the Company will be canceled and cannot be resold or issued. The conversion right attached to it shall also be canceled.
  - g. As of Dec 31, 2022, the convertible corporate bonds with a face value of \$393,100 had been converted into 14,888,461 shares.
2. When the Company issues convertible corporate bonds, it separates the conversion rights of an equity nature from the constituent elements of each liability under the International Accounting Standard No. 32 “Financial Instruments: Expression.” The account entry “capital surplus - stock options” is \$27,490. The buy-back and sell-back rights are embedded under IFRS 9 “Financial Instruments.” Because it is closely related to the economic characteristics and risks of the main contract debt commodity, it is recorded as “financial assets or liabilities at fair value through profit or loss” on a net basis. The effective interest rate of the contract debt after separation is 1.84%.

(15) Other Payables

	12/31/2022	12/31/2021
Salary and Bonus Payable	\$ 20,924	\$ 37,090
Remuneration payable to employees and directors	7,000	23,095
Equipment Payable	5,096	1,539
Other	16,077	19,871
	\$ 49,097	\$ 81,595

(16) Pension

1. (1) According to the “Labor Standards Act” provisions, the Company has established a retirement method with defined benefits. It applies to the service years of all regular employees before the implementation of the “Labor Pension Act” on Jul 1, 2005, and the following service years of employees who continue to apply the Labor Standards Act after implementing the “Labor Pension Act.” For employees who meet the retirement requirements, the pension payment is calculated based on the service years and the average salary of the six months before retirement. Two bases are awarded for each full service year within 15 years (inclusive), and one base is given for each full year of service exceeding 15 years, but the cumulative maximum is limited to 45 bases. The Company allocates 2% of the total salary to the retirement fund monthly and deposits it in a special account under the Labor Retirement Reserve Supervisory Committee in the Bank of Taiwan. In addition, before the end of each year, the Company estimates the balance of the special account for labor retirement reserves referred to in the preceding paragraph. Suppose the balance is insufficient to pay the estimated amount of pension calculated above for employees eligible for retirement in the next year. In that case, the Company will allocate the difference before the end of March next year.
- (2) In 2022 and 2021, the Company recognized pension costs according to the above pension method were \$0 and \$4, respectively.

2. (1) Since Jul 1, 2005, the Company has formulated a retirement method with a certain contribution under the “Labor Pension Act,” which applies to domestic employees. The Company and its domestic subsidiaries choose to apply the part of the labor pension system stipulated in the “Labor Pension Act” for employees and contribute 6% of their salary to the employee’s personal account at the Bureau of Labor Insurance every month. The employee’s pension is paid monthly or one-time, according to the employee’s personal account and accumulated income.
- (2) In 2022 and 2021, the Company recognized pension cost according to the above pension method was \$7,708 and \$8,181, respectively.

(17) Share Capital

1. On Dec 31, 2022, the Company’s registered capital was \$1,100,000 divided into 110,000,000 shares (including 6,000,000 shares that employee stock option certificates can subscribe), and the paid-in capital was \$882,731, with a par value of \$10 (in dollars) per share. Payments for the issued shares of the Company have been received.

	2022 (1,000 shares)	2021 (1,000 shares)
Jan 1	88,273	87,074
Conversion of convertible corporate bonds into common stock	64	1,199
Dec 31	<u>88,337</u>	<u>88,273</u>

(18) Capital surplus

Pursuant to the R.O.C. Company Law, capital reserve arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital reserve to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve shall not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2022					
	Share premium	Stock option	Treasury stock	Recognition of all changes in equity of subsidiaries	Disposal of interests in fixed assets and others	Total
Jan 1	\$552,146	\$577	\$ -	\$1,775	\$258	\$554,756
Issuing company converts corporate bonds	928	(103)	-	-	-	825
Dec 31	<u>\$ 553,074</u>	<u>\$ 474</u>	<u>\$-</u>	<u>\$ 1,775</u>	<u>\$ 258</u>	<u>\$ 555,581</u>

	2021					
	Share Premium	Stock option	Treasury stock	Recognition of all changes in equity of subsidiaries	Disposal of interests in fixed assets and others	Total
Jan 1	\$558,838	\$2,563	\$ 21,997	\$1,775	\$258	\$585,431
Issuing company converts corporate bonds	17,852	(1,986)	-	-	-	15,866
Cancellation of treasury shares	(24,544)	-	(21,977)	-	-	(46,541)
Dec 31	<u>\$552,146</u>	<u>\$577</u>	<u>\$ -</u>	<u>\$1,775</u>	<u>\$258</u>	<u>\$554,756</u>

(19) Retained earnings

1. According to the Company's articles of Incorporation, if there is a surplus in the final annual accounts, it shall be distributed in the following order:
  - (1) Paying tax.
  - (2) Making up losses for preceding years.
  - (3) Setting aside a legal reserve at 10% of the earnings (unless the accumulated amount of the legal reserve has reached the total authorized capital of the Company).
  - (4) Setting aside or reversing a special reserve according to relevant regulations.
  - (5) If there is still a surplus, together with the accumulated undistributed surplus, the board of directors shall prepare a earnings distribution proposal and submit it to the shareholders' meeting for a resolution on distributing dividends to shareholders.
2. The Company's board of directors shall have more than two-thirds of the directors present and a resolution approved by more than half of the directors present. All or part of the dividends, bonuses, Legal reserve, or capital reserve shall be distributed in cash and reported to the shareholders' meeting.
3. The Company's dividend policy is determined under the Company Act and the Company's Articles of Incorporation and based on factors such as the Company's capital and financial structure, operating conditions, earnings, and the nature and cycle of the industry it belongs to. Cash dividends are preferred in the distribution of surplus and may also be distributed in stock dividends. The distribution ratio of stock dividends shall not be higher than 50% of the total dividends for the current year in principle.
4. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
5. The provision as legal reserve shall be appropriated until its balance reaches the total paid-in share capital of the Company. The provision as legal reserve can be used to make up for losses. When the Company has no losses, the portion of the provision as legal reserve exceeding 25% of the total paid-in share capital may be allocated to share capital and distributed in cash.
6. Approved by the Board of Directors on Feb 25, 2021, and the Shareholders' Meeting on Jul 5, 2021, the 2020 annual earning distribution proposal includes a provision as legal reserve of \$7,004, a special surplus reserve of \$50,976, and a cash dividend of \$87,074.
7. Approved by the Board of Directors on Feb 24, 2022, and the Shareholders' meeting on May 27, 2022, the 2021 earning distribution proposal included a provision as legal reserve of \$15,326, a special reserve of \$38,309, and a cash dividend of \$141,303.

(20) Other Equity Items

	2022		
	Unrealized		
	Foreign Currency Conversion	Evaluated profit and loss	Total
Jan 1	(\$39,475)	(\$131,111)	(\$170,586)
Evaluation adjustment	-	( 5,680)	( 5,680)
Disposal of financial assets at fair value through other comprehensive income	-	-	-
Foreign currency exchange differences – Group	10,049	-	10,049
– Group tax	(2,010)	-	( 2,010)
Dec 31	(\$31,436)	(\$ 136,791)	(\$ 168,227)

	2021		
	Unrealized		
	Foreign Currency Conversion	Evaluated profit and loss	Total
Jan 1	(\$ 42,631)	(\$ 89,647)	(\$ 132,278)
Evaluation Adjustment	-	( 50,044)	( 50,044)
Disposal of financial assets at fair value through other comprehensive income	-	8,580	8,580
Foreign currency exchange differences – Group	3,944	-	3,944
– Group tax	( 788)	-	( 788)
Dec 31	(\$ 39,475)	(\$ 131,111)	(\$ 170,586)

(21) Operating Income

	2022	2021
Customer contract revenue	\$ 1,472,401	\$ 1,818,217
Other - lease income	10,514	12,056
Total	\$ 1,482,915	\$ 1,830,273

1. Details of Customer Contract Revenue

The Company's revenue is derived from goods transferred at a certain point in time, and revenue can be broken down into the following major product lines and geographic regions:

2022	Taiwan	Mainland China	America	Asia	Other	Total
External Customer Contract Revenue	\$ 227,314	\$ 132,302	\$ 914,630	\$ 122,944	\$ 75,211	\$ 1,472,401
2021	Taiwan	Mainland China	America	Asia	Other	Total
External Customer Contract Revenue	\$ 193,512	\$ 56,123	\$ 1,379,302	\$ 165,400	\$ 23,880	\$ 1,818,217

2. Contract liabilities

The Company recognizes contract liabilities related to customer contract revenue as follows:

	<u>12/31/2022</u>	<u>12/31/2021</u>	<u>1/1/2021</u>
Product sales contract	\$ 6,089	\$ 2,976	\$ 1,989

3. Beginning contract liabilities recognized as income in the current period

	<u>2022</u>	<u>2021</u>
Product sales contract	\$ 2,793	\$ 1,117

(22) Interest Income

	<u>2022</u>	<u>2021</u>
Bank deposit interest	\$ 1,281	\$ 564
Interest income from financial assets measured at amortized cost	20	23
Other interest income	-	6
	<u>\$ 1,301</u>	<u>\$ 593</u>

(23) Other Income

	<u>2022</u>	<u>2021</u>
Dividend income	\$ 1,095	\$ 1,177
Other income - other	1,134	6,770
	<u>\$ 2,229</u>	<u>\$ 7,947</u>

(24) Other Gain and Loss

	<u>2022</u>	<u>2021</u>
Disposal of property, plant, and equipment gain (loss)	\$ -	(\$ 318)
Foreign currency exchange gain	27,869	4,862
Gain (loss) in financial assets and liabilities at fair value through profit or loss	( 74,690)	36,661
Impairment loss on property, plant, and equipment	-	-
Non-financial asset (impairment) reversal interest	-	17,162
Other gain and loss	( 276)	( 2,311)
	<u>(\$ 47,097)</u>	<u>\$ 56,056</u>

(25) Financial Cost

	<u>2022</u>	<u>2021</u>
Interest expense	\$ 2,471	\$ 2,160

(26) Additional information on the nature of fees

	2022	2021
Employee benefit expense	\$ 190,500	\$ 233,210
Depreciation expense	67,683	70,016
Amortization expense	570	304
	<u>\$ 258,753</u>	<u>\$ 303,530</u>

(27) Employee Benefit Expense

	2022	2021
Salary expense	\$ 152,423	\$ 187,104
Labor health insurance	16,261	17,476
Director remuneration	4,419	9,461
Pension expense	7,708	8,185
Other employment expense	9,689	10,984
	<u>\$ 190,500</u>	<u>\$ 233,210</u>

1. According to the Company's articles of association, If the Company makes a profit in the year, 5% to 15% should be appropriated as employee remuneration and no more than 5% as director and supervisor remuneration. However, if the Company still has accumulated losses, it shall reserve a portion of its earning to offset the losses first.
2. The Company's estimated employee's remuneration in 2022 and 2021 is \$5,600 and \$16,874, respectively. The estimated remuneration for directors is \$1,400 and \$6,221, respectively, and the amounts above are included in the account of salary expenses.  
The difference between the \$17,000 employee's remuneration and \$5,500 remuneration for directors determined by the board of directors in 2021 and the \$16,874 employee's remuneration and \$6,221 remuneration for directors is \$595 in total. The differences were adjusted for profit and loss in 2022. Information about employee and director remuneration approved by the Company's board of directors can be inquired at the MOPS.

(28) Income Tax

1. Income tax (benefit) expense

a. Components of income tax (benefit) expense:

	<u>2022</u>	<u>2021</u>
Current income tax:		
Income tax from current income	\$ 36,985	\$ 35,064
Undistributed earnings levy	-	-
Previous year income tax (over) underestimation	( 7,461)	5,982
Total current income tax	<u>29,524</u>	<u>41,046</u>
Deferred income tax:		
Origin and reversal of temporary differences	( 13,188)	9,902
Total deferred income tax	<u>( 13,188)</u>	<u>9,902</u>
Income tax (benefit) expense	<u>\$ 16,336</u>	<u>\$ 50,948</u>

b. Income tax related to other comprehensive income:

	<u>2022</u>	<u>2021</u>
Conversion difference of foreign operating institutions	\$ 2,010	\$ 788

c. Income tax amount directly debited or credited to equity: None.

2. Relationship between income tax (benefit) expense and accounting profit:

	<u>2022</u>	<u>2021</u>
Income tax calculated on the net profit before tax by the statutory tax rate	\$ 12,671	\$ 50,518
Items excluded by the tax law	15,756	1,143
Income exempted from tax by the tax law	-	( 7,383)
Income tax effect of investment deduction	( 4,630)	-
Changes in the realizability evaluation of deferred tax assets	-	688
Previous year income tax (over) underestimation	( 7,461)	5,982
	<u>\$ 16,336</u>	<u>\$ 50,948</u>

3. Deferred income tax assets from temporary differences are as follows:

	2022			
	Jan 1	Recognized in profit or loss	Exchange Difference	Dec 31
Deferred Income Tax Assets:				
Temporary differences:				
Allowance for inventories Impairment losses	\$ 3,796	(\$ 339)	\$ -	\$ 3,457
Convertible corporate bonds	1,169	29	-	1,198
Unrealized impairment loss	121	-	-	121
Other	1,392	3,043	-	4,435
Subtotal	<u>6,478</u>	<u>2,733</u>	<u>-</u>	<u>9,211</u>
Deferred Income Tax Liabilities:				
Temporary differences:				
Unrealised foreign currency exchange gain	( 177)	177	-	-
Other	( 11,951)	10,278	( 2,010)	( 3,683)
Subtotal	<u>( 12,128)</u>	<u>10,455</u>	<u>( 2,010)</u>	<u>( 3,683)</u>
Total	<u>(\$ 5,650)</u>	<u>\$ 13,188</u>	<u>(\$ 2,010)</u>	<u>\$ 5,528</u>

	2021			
	Jan 1	Recognized in profit or loss	Exchange Difference	Dec 31
Deferred Income Tax Assets:				
Temporary differences:				
Allowance for inventories Impairment Losses	\$ 2,304	\$ 1,492	\$ -	\$ 3,796
Convertible corporate bonds	1,061	108	-	1,169
Unrealized impairment loss	3,554	( 3,433)	-	121
Other	1,823	( 431)	-	1,392
Subtotal	<u>\$8,742</u>	<u>( \$2,264)</u>	<u>\$-</u>	<u>\$6,478</u>
Deferred Income Tax Liabilities:				
Temporary differences:				
Unrealised foreign currency exchange gain	( 179)	2	-	( 177)
Other	( 3,523)	( 7,640)	( 788)	( 11,951)
Subtotal	<u>( 3,702)</u>	<u>( 7,638)</u>	<u>( 788)</u>	<u>( 12,128)</u>
Total	<u>\$ 5,040</u>	<u>(\$ 9,902)</u>	<u>(\$ 788)</u>	<u>(\$ 5,650)</u>

4. The Company's profit-seeking business income tax has been approved by the taxation agency until 2020.

(29) Earnings Per Share

	2022		
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	EPS (\$NT)
<u>Basic EPS</u>			
Attributable to common stockholders in the current period	\$ 47,021	88,319	\$ 0.53
<u>Diluted EPS</u>			
Attributable to common stockholders in the current period net income	47,021	88,319	
Effect of dilutive potential common stock			
employee remuneration	-	323	
convertible corporate bonds	62	350	
Net income attributable to common stockholders in the current period plus potential common stock impact	\$ 47,083	88,992	\$ 0.53

	2021		
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	EPS (\$NT)
<u>Basic EPS</u>			
Attributable to common stockholders in the current period	\$ 201,644	87,271	\$ 2.31
<u>Diluted EPS</u>			
Attributable to common stockholders in the current period net income	201,644	87,271	
Effect of dilutive potential common stock			
employee remuneration	-	560	
convertible corporate bonds	511	1,351	
Net income attributable to common stockholders of the parent company in the current period plus potential common stock impact	\$202,155	\$89,182	\$2.27

(30) Supplementary Cash Flow Information

Investment activities with only partial cash payments:

	2022	2021
Acquisition of property, plant, and equipment	\$ 14,256	\$ 20,575
Add: Payable on equipment at beginning balance	1,539	4,225
Less: Payable on equipment at ending balance	( 5,096)	( 1,539)
Current cash payment	\$ 10,699	\$ 23,261

(31) Changes in liabilities from financing activities

	2022			Total liabilities from financing activities
	Short-Term Loan	Corporate bonds payable (under 1 year included)	Lease Liability	
Jan 1	\$ 20,000	\$ 8,144	\$ 83,297	\$ 111,441
Changes in financing cash flow	160,000	-	( 1,764)	158,236
interest payments	-	-	( 1,036)	( 1,036)
Amortization of interest expense	-	148	1,036	1,184
Other non-cash changes	-	( 1,463)	-	( 1,463)
Dec 31	<u>\$180,000</u>	<u>\$ 6,829</u>	<u>\$ 81,533</u>	<u>\$ 268,362</u>

	2021			Total liabilities from financing activities
	Short-Term Loan	Corporate bonds payable (under 1 year included)	Lease Liability	
Jan 1	\$ 60,000	\$ 35,505	\$ 86,442	\$ 181,947
Changes in financing cash flow	( 40,000)	-	( 4,637)	( 44,637)
interest payments	-	-	( 1,042)	( 1,042)
Amortization of interest expense	-	590	1,042	1,632
Other non-cash changes	-	( 27,951)	1,492	( 26,459)
Dec 31	<u>\$ 20,000</u>	<u>\$ 8,144</u>	<u>\$ 83,297</u>	<u>\$ 111,441</u>

7. Related-Party Transaction

(1) The name and relationship of related parties

Name	Relationship with the Company
FIOPTEC Inc.	Subsidiaries directly held by the Company
Shanghai FOCI Fiber Optic Communications, Inc.	Sub-subsidiary indirectly held by the Company
Jiangxi FOCI Fiber Optic Communication, Inc.	Sub-subsidiary indirectly held by the Company
Zhongshan FOCI Fiber Optic Communications, Inc.	Sub-subsidiary indirectly held by the Company
BKS TEC Corp.	Associate

(2) Significant related parties transactions and balance

1. Operating Income

	2022	2021
Sales of Goods		
BKS TEC Corp.	<u>\$ 3,983</u>	<u>\$ 1,590</u>

2. Purchase

	2022	2021
Goods Purchased		
Shanghai FOCI Fiber Optic Communications, Inc.	\$ 478,452	\$ 859,994
Zhongshan FOCI Fiber Optic Communications, Inc.	421,587	330,334
Total	<u>\$ 900,039</u>	<u>\$ 1,190,328</u>

The inventories purchased by the Company from subsidiaries were not purchased from other suppliers. Since there is no market price to compare, the transaction price is determined by referring to the market situation and after negotiation between the two parties.

The Company entrusts related parties to engage in subcontracted processing without materials, agrees to pay according to their actual processing, and lists the operating costs in the account.

The purchases mentioned above have not been deducted. The Company's sales revenue recognized by the company's subsidiaries in 2022 and 2021 was \$307,762 and \$269,230, respectively. The Company's accounts have deducted relevant income and purchase costs under regulations.

3. Receivables from related parties

	12/31/2022	12/31/2021
Accounts Receivables		
Shanghai FOCI Fiber Optic Communications, Inc.	\$ 30,075	\$12,149
Zhongshan FOCI Fiber Optic Communications, Inc.	30,426	46,510
BKS TEC Corp.	789	786
Subtotal	<u>61,290</u>	<u>59,445</u>
Other Receivables		
Zhongshan FOCI Fiber Optic Communications, Inc.	347	-
BKS TEC Corp.	-	15
Subtotal	<u>347</u>	<u>15</u>
Total	<u>\$ 61,637</u>	<u>\$ 59,460</u>

Receivables from related parties are mainly from sales transactions, and the sales transactions are due 60 days after the date of the sale. The receivables are unsecured and bear no interest. Accounts receivable from related parties have not been set aside as a provision for bad debts.

#### 4. Payables to related parties

	12/31/2022	12/31/2021
Accounts Payables		
Shanghai FOCI Fiber Optic Communications, Inc.	\$ 141,443	\$ 234,373
Zhongshan FOCI Fiber Optic Communications, Inc.	84,976	89,745
Subtotal	<u>226,419</u>	<u>324,118</u>
Other Payables		
Zhongshan FOCI Fiber Optic Communications, Inc.	-	984
BKS TEC Corp.	14	-
Subtotal	<u>14</u>	<u>984</u>
Total	<u>\$ 226,433</u>	<u>\$ 325,102</u>

The payables to related parties are mainly from purchase transactions and are due 60 days after the date of purchase. The payables bear no interest.

#### 5. Property Transaction

Acquisition of property, plant, and equipment

	12/31/2022	12/31/2021
Shanghai FOCI Fiber Optic Communications, Inc.	\$ -	\$ 1,004
Zhongshan FOCI Fiber Optic Communications, Inc.	1,006	992
	<u>\$ 1,006</u>	<u>\$ 1,996</u>

#### (3) Salary Information of Main Management Level

	2022	2021
Short-term employee benefits	\$ 21,859	\$ 24,928
Post-employment benefits	539	583
	<u>\$ 22,398</u>	<u>\$ 25,511</u>

#### 8. Pledged Assets

The details of the guarantee provided by the Company's assets are as follows:

Assets	Book Value		Purpose
	12/31/2022	12/31/2021	
Time deposit (Note)	<u>\$2,939</u>	<u>\$2,997</u>	Land Lease Pledge

Note: "Financial assets at amortized cost - non-current" are listed in the table.

#### 9. Significant Commitments and Contingencies

None.

#### 10. Significant Loss From Disaster

None.

## 11. Significant Subsequent Events

On Feb 23, 2023, the resolution of the board of directors passed:

1. According to the provisions of the Company's articles of Incorporation, the 2022 annual earning distribution plan was drafted. The provision as legal reserve of \$4,702 and the special reserve of \$2,359 were allocated, and cash dividends of \$44,168 were distributed at NT\$0.5 per share.
2. According to the provisions of the Company's Articles of Incorporation, the director's remuneration of \$1,400 and the employee's remuneration of \$5,600 would be distributed in cash.

## 12. Other

### (1) Capital Management

The Company conducts capital management to ensure it can continue operating to maximize shareholder returns. There has been no significant change in the Company's overall strategy.

The Company's capital structure consists of the Company's net debt (i.e., debts less cash) and equity (i.e., share capital, capital surplus, retained earnings, and other equity items).

The Company is not subject to other external capital requirements.

### (2) Financial Instruments

#### 1. Types of Financial Instruments

	<u>12/31/2022</u>	<u>12/31/2021</u>
Financial assets		
Financial assets at fair value through profit or loss		
Financial assets mandatorily at fair value through profit or loss	\$ 162,800	\$-
Financial assets held for trading	-	32
Financial assets at fair value through other comprehensive income		
Designated equity instrument investment	192,265	127,942
Financial assets/Loans and receivables measured at amortized cost		
Cash and cash equivalents	314,320	437,055
Notes receivable	92	1,027
Accounts receivable (including related parties)	363,807	477,667
Other receivables (including related parties)	726	326
Financial assets measured at amortized cost	2,939	2,997
Refundable deposits	2,703	3,300
	<u>\$ 1,039,652</u>	<u>\$ 1,050,346</u>

	12/31/2022	12/31/2021
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Short-term loan	\$ 180,000	\$ 20,000
Notes payable	1,546	1,903
Accounts payable (including related parties)	262,160	399,909
Other payable	49,097	81,595
Corporate bonds payable	6,829	8,144
Deposit Received	1,714	2,086
	<u>\$ 501,346</u>	<u>\$ 513,637</u>
Lease liability	<u>\$ 81,533</u>	<u>\$ 83,298</u>

## 2. Risk Management Policy

The Company's primary financial instruments include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive profit or loss, notes receivable, accounts receivable, notes payable and accounts payable, etc. The Company's financial risk management objectives are to manage exchange rate risk, price risk, interest rate risk, credit risk, and liquidity risk related to operating activities. To reduce related financial risks, the Company is committed to identifying, assessing, and avoiding market uncertainties to reduce the potential adverse effects of market changes on the company's financial performance.

The Board of Directors reviews the Company's important financial activities under relevant regulations and internal control systems. During the execution of the financial plan, the Company must strictly abide by the relevant financial operating procedures regarding the overall financial risk management and division of powers and responsibilities.

## 3. The nature and extent of significant financial risks

### a. Market Risk

The Company's operating activities expose the Company to the main financial risks of foreign currency exchange rate risk, interest rate risk, and price risk. There is no change to the exposures related to market risk in financial instruments and how such exposures are managed and measured.

#### Exchange Rate Risk

- A. Some of the Company's cash inflows and outflows are in foreign currency, so there is a natural hedging effect. The management of the Company's exchange rate risk is to avoid risks, not for profit.
- B. The exchange rate risk management strategy regularly reviews the net positions of assets and liabilities in various currencies and performs risk management on the net positions. Trading foreign currency deposits is the primary tool for avoiding exchange rate risks.
- C. Since the net investment of foreign operating institutions is strategic, the company does not hedge against it.

- D. The Company's business involves certain non-functional currencies (the Company's functional currency is NTD), so it is affected by exchange rate fluctuations. Information on foreign currency assets and liabilities with significant exchange rate fluctuations is as follows:

	12/31/2022		
	Foreign currency (In thousands)	Exchange Rate	Book Value (NTD)
(Foreign Currency: Functional Currency)			
<u>Financial assets</u>			
<u>Currency items</u>			
USD: NTD	\$ 11,257	30.71	\$ 345,702
<u>Non-currency items</u>			
USD: NTD	\$ 16,084	30.71	\$ 493,940
<u>Financial liabilities</u>			
<u>Currency items</u>			
USD: NTD	\$ 8,192	30.71	\$ 251,576
<u>Non-currency items: None</u>			
	12/31/2021		
	Foreign currency (In thousands)	Exchange Rate	Book Value (NTD)
(Foreign Currency: Functional Currency)			
<u>Financial assets</u>			
<u>Currency items</u>			
USD: NTD	\$ 19,602	27.65	\$ 541,995
<u>Non-currency items</u>			
USD: NTD	\$ 19,671	27.65	\$ 543,903
<u>Financial liabilities</u>			
<u>Currency items</u>			
USD: NTD	\$ 13,832	27.65	\$ 382,455
<u>Non-currency items: None</u>			

- E. The currency items of the Company have a significant impact due to exchange rate fluctuations. The aggregated amounts of all exchange (losses) gains recognized in 2022 and 2021 (including realized and unrealized) was \$27,869 and \$4,862, respectively.

- F. The Company's foreign currency market risk analysis due to significant exchange rate fluctuations is as follows:

2022			
Sensitivity Analysis			
Range of change	Impact on profit or loss	Impact on other comprehensive income	
(Foreign Currency: Functional Currency)			
<u>Financial assets</u>			
<u>Currency items</u>			
USD: NTD	1%	\$ 3,457	\$ -
<u>Financial liabilities</u>			
<u>Currency items</u>			
USD: NTD	1%	(\$ 2,516)	\$ -
2021			
Sensitivity Analysis			
Range of change	Impact on profit or loss	Impact on other comprehensive income	
(Foreign Currency: Functional Currency)			
<u>Financial assets</u>			
<u>Currency items</u>			
USD: NTD	1%	\$ 5,420	\$ -
<u>Financial liabilities</u>			
<u>Currency items</u>			
USD: NTD	1%	(\$ 3,825)	\$ -

#### Price Risk

- A. Since the investments held by the Company are classified as financial assets at fair value through profit or loss and fair value through other comprehensive profit or loss in the parent company only balance sheet, the Company is exposed to the price risk of equity instruments. To manage the price risk of equity instrument investment, the Company diversifies its investment portfolio by the limits set by the Company.
- B. The Company mainly invests in the equity instruments of domestic and foreign companies. The prices of these financial instruments will be affected by the uncertainty of the future value of the investment target. If the price of such equity instruments increases or decreases by 1%, all other factors remain unchanged. The after-tax net profit for 2022 and 2021 will increase or decrease by \$1,900 and \$0 due to the benefit or loss from equity instruments measured at fair value through profit or loss. The gain or loss on the classification of equity investments at fair value through other comprehensive income increased or decreased by \$3,291 and \$2,591, respectively.

b. Credit Risk

- A. The Company's credit risk refers to the risk of financial loss due to the failure of customers or counterparties of financial instruments to perform contractual obligations. It mainly arises from the inability of the counterparty to settle the receivables paid on collection terms and the contractual cash flows classified as investments in debt instruments measured at amortized cost.
- B. The Company establishes credit risk management from a company perspective. For banks and financial institutions the Company deals with, only those with good credit ratings can be accepted as transaction objects. According to the internally specified credit policy, each operating entity within the company and each new customer must conduct management and credit risk analysis before setting payment and proposing the terms and conditions of delivery. Internal risk control evaluates customers' credit quality by considering their financial status, experience, and other factors. The board of directors establishes limits for individual risks based on internal or external ratings, and the use of credit limits is regularly monitored.
- C. The Company adopts IFRS9 to assume that when the contract payment is overdue for more than 30 days according to the agreed payment terms, it is regarded as the basis for the significant increase of the financial asset credit risk since the original recognition.
- D. The Company adopts IFRS9 to assume that when the contract payment is overdue for more than 90 days according to the agreed payment terms, it is deemed to have breached the contract.
- E. The Company will group customers' accounts receivable according to the characteristics of customer ratings and use a simplified method to estimate expected credit losses based on the provision matrix.
- F. After the recourse procedures, the Company will write off the number of financial assets that cannot be reasonably expected to be recovered. However, the Company will continue to follow legal procedures for recourse to preserve the creditor's rights.
- G. The indicators used by the Company to determine that debt instrument investment is credit-impaired are as follows:
- (A) The issuer is in significant financial difficulty or is likely to enter bankruptcy or other financial reorganization;
  - (B) The active market for the financial asset has ceased to exist due to the issuer's financial difficulties;
  - (C) Delay or non-payment of interest or principal by the issuer;
  - (D) Adverse changes in national or regional economic conditions cause the issuer to default.
- H. The Company adjusts the loss rate based on the historical and current information of a specific period based on the forward-looking consideration of the future to estimate the provision loss of notes receivable and accounts receivable. The preparation matrix for December 31, 2022, and 2021 is as follows:

	Non Overdue	Under 30 days overdue	31-90 days overdue	91-180 days overdue	Over 181 days overdue	Total
<u>12/31/2022</u>						
Total Book Value	\$ 322,507	\$ 37,138	\$ 2,535	\$ 3,544	\$ -	\$ 365,724
Allowance for losses	\$ -	(\$ 996)	(\$ 120)	(\$ 709)	\$ -	(\$ 1,825)

	Not Overdue	Under 30 days overdue	31-90 days overdue	91-180 days overdue	Over 181 days overdue	Total
<u>12/31/2021</u>						
Total Book Value	\$ 433,658	\$ 23,706	\$ 23,170	\$ 180	\$ 178	\$ 480,892
Allowance for losses	\$ -	\$ 1,046	\$ 1,023	\$ 32	\$ 97	\$ 2,198

- I. The Company's simplified statement of changes in the allowance for losses of accounts receivable and other receivables is as follows:

	2022	
	Accounts Receivable	Other Receivables
Jan 1	\$ 2,198	\$ 12,915
Reclassified	-	(12,915)
Reversal for impairment loss	(336)	-
Amount written off due to irrecoverability	(37)	-
Dec 31	\$ 1,825	\$ -
	2021	
	Accounts Receivable	Other Receivables
Jan 1	\$ 2,128	\$ 13,419
Provision (reversal) impairment loss	70	(504)
Dec 31	\$ 2,198	\$ 12,915

- J. The financial assets measured by the amortized cost held by the Company are restricted bank deposits. The credit ratings of these transaction banks are good, and the risk of credit loss is expected to be extremely low.

c. Liquidity Risk

- A. The Company manages and maintains sufficient cash to support the Company's operations and mitigate the impact of cash flow fluctuations.
- B. The following table shows the Company's non-derivative financial liabilities, which are grouped according to the relevant maturity dates. Non-derivative financial liabilities are analyzed based on the remaining period from the balance sheet to the contractual maturity date. The contractual cash flow amounts disclosed in the table below are undiscounted.

<u>12/31/2022</u>						
Non-derivative financial liabilities:	Immediately or under 1 month	1-3 months	3 months- 1 year	1-5 years	Over 5 years	Total
Short-term loan	\$ 252	\$ 180,301	\$ -	\$ -	\$ -	\$ 180,553
Notes payable	16	-	1,530	-	-	1,546
Accounts payable	91,108	170,340	712	-	-	262,160
Other payables	29,908	12,496	6,693	-	-	49,097
Lease liability	533	1,065	4,393	13,550	78,029	97,570
Corporate bonds payable	-	-	6,900	-	-	6,900
<u>Derivative financial liabilities:</u>	None.					

12/31/2021						
Non-derivative financial liabilities:	Immediately or under 1 month	1-3 months	3 months- 1 year	1-5 years	Over 5 years	Total
Short-term loan	\$ 15	\$ 20,008	\$ -	\$ -	\$ -	\$ 20,023
Notes payable	283	-	1,620	-	-	1,903
Accounts payable	148,800	251,109	-	-	-	399,909
Other payables	47,000	10,779	23,816	-	-	81,595
Lease liability	534	1,069	4,243	16,418	78,761	101,025
Corporate bonds payable	-	-	8,400	-	-	8,400
<u>Derivative financial liabilities:</u>	None.					

### (3) Fair Value Information

1. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in an active market for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transaction for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of listed stock investments, beneficiary certificates, Taiwan central government bond investments that are popular bonds, corporate bonds, and derivatives with active market quotations, etc., invested by the Company are included.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of public bonds, corporate bonds, financial bonds, convertible corporate bonds, and most of the derivatives invested by the Company that are not popular bonds shall belong to this category.

Level 3: Unobservable inputs to the asset or liability. Part of the derivative instruments invested by the Company, equity instrument investments without an active market, and real estate investments are included.

2. Please refer to Note 6 (11) for the fair value information of the Company's real estate investments measured at cost.
3. Financial instruments not measured by fair value

The book value of cash and cash equivalents, financial assets measured at amortized cost, notes receivable, accounts receivable, other receivables, refundable deposits, short-term loans, notes payable, accounts payable, other payables, lease liabilities (including current and non-current), corporate bonds payable, and deposits received are reasonable approximations of fair values.

4. For financial instruments measured at fair value, the Company classifies assets and liabilities based on their nature, characteristics, risks, and fair value levels. Relevant information is as follows:

a. The Company classifies by the nature of assets and liabilities, and the relevant information is as follows:

12/31/2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value</u>				
Financial assets at fair value through profit or loss				
Listed stock	\$162,800	-	-	\$162,800
Financial assets at fair value through other comprehensive income				
Emerging stock	36,270	-	-	36,270
Unlisted stocks	-	-	155,995	155,995
Total	<u>\$199,070</u>	<u>\$ -</u>	<u>\$155,995</u>	<u>\$355,065</u>

**Liability**

Recurring fair value: None.

12/31/2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value</u>				
Financial assets at fair value through profit or loss				
Derivatives	\$ -	\$ -	\$ 32	\$ 32
Financial assets at fair value through other comprehensive income				
Emerging stock	57,997	-	-	57,997
Unlisted stocks	-	-	69,945	69,945
Total	<u>\$ 57,997</u>	<u>\$ -</u>	<u>\$ 69,977</u>	<u>\$ 127,974</u>

**Liability**

Recurring fair value: None.

b. The methods and assumptions used by the Company to measure the fair value are explained as follows:

A. The Company adopts market quotations as the input of the fair value (Level 1). It is classified according to the characteristics of the instrument as follows:

	<u>TPEX Listed Stocks</u>	<u>Convertible corporate bonds</u>
Market Quotation	Closing price	Closing price

B. When evaluating non-standardized and less complex financial instruments, the Company adopts evaluation techniques widely used by market participants. The parameters used in the evaluation models of such financial instruments are usually market-observable information.

5. In 2022 and 2021, there was no transfer between Levels 1 and 2.

6. The following table lists the changes in Level 3 in 2022 and 2021:

	2022		2021	
	Financial Instruments	Derivatives	Financial Instruments	Derivatives
Jan 1	\$ 69,945	\$ 32	\$ 129,495	\$ 86
Gain or loss recognized in profit or loss accounted for non-operating income and expenses	-	(30)	-	39
Gain or loss recognized in other comprehensive income	16,048	-	(38,130)	-
Current Purchase	70,002	-	-	-
Other	-	(2)	(21,420)	(93)
December 31	<u>\$ 155,995</u>	<u>\$ -</u>	<u>\$ 69,945</u>	<u>\$ 32</u>
Changes in unrealized gains or losses included in profit or loss of assets and liabilities held at the end of the period (Note 1)	<u>\$ -</u>	<u>(\$ 30)</u>	<u>\$ -</u>	<u>(\$ 54)</u>

Note 1: Non-operating income and expenses are listed in the accounts.

7. In 2022 and 2021, there was no transfer at Level 3.
8. The Company's assessment process for classifying fair value into Level 3 is that the financial department is responsible for the independent fair value verification of financial instruments. The process uses independent source information to make the evaluation result close to market conditions, confirming that the information source is independent, reliable, consistent with other sources, and representative of executable prices. It regularly calibrates the evaluation model, backtests, updates the input values and data required for the evaluation model, and makes any other necessary fair value adjustments to ensure that the evaluation results are reasonable. The Company regularly evaluates investment property through the evaluation methods and parameter assumptions announced by the Financial Supervisory Commission.
9. The quantitative information and the sensitivity analysis of the change of the significant unobservable input value of the evaluation model used for Level 3 fair value measurement items are as follows:

	12/31/2022 Fair Value	Evaluation Technique	Significant unobservable input value	Range (weighted average)	Input and fair value relationship
Non-derivative equity instruments:					
Unlisted stocks	\$ 30,256	Net Asset Value Approach	N/A	N/A	N/A
Unlisted stocks	763	Comparable Listed Companies Approach	Lack of market liquidity discount	20.60%	The higher the discount due to lack of market liquidity, the lower the fair value
Unlisted stocks	124,976	Income Approach	Lack of market liquidity discount and minority equity discount	15.8%-31.84%	The higher the discount for lack of market liquidity, the lower the fair value; the higher the discount for minority equity, the lower the fair value
Financial assets at fair value through profit or loss - convertible corporate bond sell-back rights and buy-back rights	-	Binary Tree Convertible Bond Evaluation Model	Stock price volatility	27.41%	The higher the volatility, the higher the fair value
	12/31/2021 Fair Value	Evaluation Technique	Significant unobservable input value	Range (weighted average)	Input and fair value relationship
Non-derivative equity instruments:					
Unlisted stocks	\$ 29,276	Net Asset Value Approach	N/A	N/A	N/A
Unlisted stocks	1,708	Comparable Listed Companies Approach	Lack of market liquidity discount	20%-20.6%	The higher the discount due to lack of market liquidity, the lower the fair value
Unlisted stocks	38,961	Income Approach	Lack of market liquidity discount and minority equity discount	4.29%-23.55%	The higher the discount for lack of market liquidity, the lower the fair value; the higher the discount for minority equity, the lower the fair value
Financial assets at fair value through profit or loss - convertible corporate bond sell-back rights and buy-back rights	32	Binary Tree Convertible Bond Evaluation Model	Stock price volatility	46.94%	The higher the volatility, the higher the fair value

10. The evaluation model and parameters selected by the Company are carefully evaluated. However, different evaluation models or parameters may lead to different evaluation results. For financial assets and financial liabilities classified as Level 3, if the evaluation parameters change, the impact on current profit or loss or other comprehensive loss is as follows:

		12/31/2022					
				Recognized in profit or loss		Recognized in other comprehensive profit or loss	
		Input value	Change	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets	Market		±1%	\$ -	\$ -	\$ 7	(\$ 7)
Equity instrument	liquidity discount						
Financial assets measured at fair value through profit or loss - convertible corporate bond sell-back rights and buy-back rights	Volatility		±1%	\$ -	\$ -	\$ -	\$ -
		12/31/2021					
				Recognized in profit or loss		Recognized in other comprehensive profit or loss	
		Input value	Change	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets	Market		±1%	\$ -	\$ -	\$ 22	(\$ 22)
Equity instrument	liquidity discount						
Financial assets measured at fair value through profit or loss - convertible corporate bond sell-back rights and buy-back rights	Volatility		±1%	\$ 1	\$ -	\$ -	\$ -

(4) Impact of the COVID-19 Pandemic on the Company's Operations

Therefore, after evaluation of the relevant operating and financial information by the Company, the COVID-19 Pandemic has no significant impact on the Company's ability to continue operating, asset impairment, and financing risks.

### 13. Notes to Disclosures

(1) Information on significant transactions

1. Loan to others: Please refer to Appendix 1.
2. Endorsement guarantee for others: Please refer to Appendix 2.
3. Status of securities held at the end of the period (excluding investment subsidiaries, associates, and joint ventures): Please refer to Appendix 3.
4. The accumulative purchase or sale of the same securities over NT\$300 million or 20% of the paid-in capital: Please refer to Appendix 4.
5. The real estate acquired over NT\$300 million or 20% of the paid-in capital: None.
6. The real estate disposed of over NT\$300 million or 20% of the paid-in capital: None.
7. Purchases and sales of goods with related parties over NT\$100 million or 20% of the paid-in capital: Please refer to Appendix 5.

8. Receivables from related parties over NT\$100 million or 20% of the paid-in capital: Please refer to Appendix 6.
9. Derivatives transactions: None.
10. The business relationship between the parent company and its subsidiaries, between each subsidiary, and the status and amount of important transactions: Please refer to Appendix 7.

(2) Information on investees

Invested company name, location, and other relevant information (excluding Mainland Chinese invested companies): Please refer to Appendix 8.

(3) Information on investments in Mainland China

1. Basic information: Please refer to Appendix 9.
2. Significant transactions occurred directly or indirectly through third-region enterprises and investee companies that reinvested in Mainland China: Please refer to Appendix 7.

(4) Information on major shareholders

Information on major shareholders: Please refer to Appendix 10.

## 14. Segment Information

Not Applicable.

FOCI Fiber Optic Communications, Inc.  
Cash and Cash Equivalent  
Dec 31, 2022  
 (Expressed in Thousands of New Taiwan dollars)

Item	Remarks	Amount
Cash:		
Cash on hand		\$ 50
Cash in banks:		
Check deposits		138
Demand deposits		
- NTD		73,309
- USD	USD 385 exchange rate 30.71	11,823
Time Deposits		
- NTD		229,000
		\$ 314,320

FOCI Fiber Optic Communications, Inc.  
Account Receivables  
Dec 31, 2022  
 (Expressed in Thousands of New Taiwan dollars)

Customer Name	Remarks	Amount	Notes
General Customers:			
Customer C		\$ 191,421	
Customer F		33,862	
			The balance of each customer does not exceed 5% of the total amount of this subject
Other		<u>79,059</u>	
		304,342	
Less: Allowance for bad debts		<u>(1,825)</u>	
		<u>302,517</u>	
Related parties:			
Shanghai FOCI Fiber Optic Communications, Inc.		30,075	
Zhongshan FOCI Fiber Optic Communications, Inc.		30,426	
BKS TEC Corp.		<u>789</u>	
		<u>61,290</u>	
		<u>\$ 363,807</u>	

FOCI Fiber Optic Communications, Inc.  
Inventories  
Dec 31, 2022  
(Expressed in Thousands of New Taiwan dollars)

Customer Name	Remarks	Amount		Notes
		Costs	Net Realizable Value	
Raw materials		\$ 29,051	\$ 20,781	Market price at replacement cost
Work in process		3,842	2,595	Market price based on net realizable value
Finished goods		221,154	258,779	Market price based on net realizable value
		<u>254,047</u>	<u>\$ 282,155</u>	
Less: allowance for loss on market value decline and obsolete and slow-moving of inventories		<u>(17,285)</u>		
		<u>\$ 236,762</u>		

FOCI Fiber Optic Communications, Inc.  
Change In Investments Accounted For Using Equity Method  
For the year ended Dec 31, 2022  
(Expressed in Thousands of New Taiwan dollars)

Name	Balance at January 1, 2022		Increase in current period (Note 1)		Decrease in current period (Note 1)		Balance at December 31, 2022			Market Price or Net Equity Value		Guarantee or Pledge	Notes
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Shareholding Percentage	Amount	Unit Price	Total Price		
FIOPTec Inc. (Cayman Island)	\$ 15,050	\$ 546,356	-	\$ -	-	(\$ 52,511)	15,050	100%	\$ 493,845	-	\$ -	None	
BKS TEC Corp.	6,000	19,410	-	-	-	(4,737)	6,000	11.76%	14,673	-	-		
						<u>(\$ 57,248)</u>			<u>\$ 508,518</u>				

Note 1: It includes investment gains and losses, realized (unrealized) gross profit from sales, and exchange differences from the translation of financial statements of foreign operating institutions.

FOCI Fiber Optic Communications, Inc.  
Operating revenues  
For the year ended Dec 31, 2022  
(Expressed in Thousands of New Taiwan dollars)

Item	Sales Quantity (1,000)	Amount
Sales Revenue		
Fiber Patch Cable	13,963	\$ 1,121,438
Micro Optic Fiber Components	86	173,041
Fiber Coupled Products	314	62,005
Other — Non-Optical Passive Components	286	34,715
Fiber Optic Passive Components — Others	80	52,237
Optical Fiber Connector	1,808	21,396
Advanced Packaging Products	106	8,322
		1,473,154
Less: Sales Returns and Allowances		(753)
Lease Income		10,514
Net Amount		\$ 1,482,915

FOCI Fiber Optic Communications, Inc.  
Operating Cost  
For the year ended Dec 31, 2022  
(Expressed in Thousands of New Taiwan dollars)

Item	Remarks	Amount
Production and sales cost		
Beginning balance of raw materials		\$ 50,793
Add: Current period purchase		518,424
Finished goods transfer		16,348
Less: Ending balance of raw materials		(29,051)
Transfer to finished goods		-
Transfer to expense		(2,379)
Transfer to scrap		(14,905)
Direct material consumption		539,230
Direct labor		70,190
Manufacturing expense		107,005
Manufacturing cost		716,425
Add: Beginning balance of work in progress		7,259
Less: Ending balance of work in progress		(3,824)
Finished goods cost		719,860
Add: Beginning balance of finished goods		216,468
Purchase finished goods		549,254
Less: Ending balance of finished goods		(221,154)
Transfer to raw materials		(16,348)
Other		(3,211)
Cost of goods sold		1,244,869
Inventory price recovery benefit		(1,697)
Inventories scrap loss		17,924
Lease cost		1,758
Operating cost		\$ 1,262,854

FOCI Fiber Optic Communications, Inc.  
Manufacturing Expense  
For the year ended Dec 31, 2022  
 (Expressed in Thousands of New Taiwan dollars)

Item	Remarks	Amount	Notes
Wages and salaries		\$ 21,207	
Depreciation expense		48,194	
Transportation expense		9,765	
Other expense		27,839	The balance of each subject does not exceed 5% of the total amount of this subject
		<u>\$ 107,005</u>	

FOCI Fiber Optic Communications, Inc.  
Selling Expenses  
For the year ended Dec 31, 2022  
 (Expressed in Thousands of New Taiwan dollars)

<u>Item</u>	<u>Remarks</u>	<u>Amount</u>	<u>Notes</u>
Wages and salaries		\$ 13,528	
Travel expense		4,599	
Test expense		2,345	
Commission expense		1,827	
Consultant expense		1,801	
Other expense			The balance of each subject does not exceed 5% of the total amount of this subject
		<u>5,741</u>	
		<u>\$ 29,841</u>	

FOCI Fiber Optic Communications, Inc.  
Administrative Expenses  
For the year ended Dec 31, 2022  
 (Expressed in Thousands of New Taiwan dollars)

<u>Item</u>	<u>Remarks</u>	<u>Amount</u>	<u>Notes</u>
Wages and salaries		\$ 31,598	
Service expense		6,110	
Miscellaneous expense		2,858	
Entertainment expense		2,853	
Stock affairs expense		2,488	
Other expense			The balance of each subject does not exceed 5% of the total amount of this subject
		<u>9,586</u>	
		<u><u>\$ 55,493</u></u>	

FOCI Fiber Optic Communications, Inc.  
Research & Development Expense  
For the year ended Dec 31, 2022  
 (Expressed in Thousands of New Taiwan dollars)

<u>Item</u>	<u>Remarks</u>	<u>Amount</u>	<u>Notes</u>
Wages and salaries		\$ 39,192	
Depreciation expense		15,560	
Professional service fee		4,899	
Insurance fee		4,125	
Other expense			The balance of each subject does not exceed 5% of the total amount of this subject
		<u>13,804</u>	
		<u>\$ 77,580</u>	

FOCI Fiber Optic Communications, Inc.  
Details of Labor, depreciation and amortization by function  
For the year ended Dec 31, 2022  
(Expressed in Thousands of New Taiwan dollars)

Nature \ Function	2022			2021		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefit expense						
salaries and Wages	\$ 76,598	\$ 75,825	\$ 152,423	\$ 100,011	\$ 87,093	\$ 187,104
Share-based benefit compensation cost	-	-	-	-	-	-
Labor health insurance	8,700	7,561	16,261	10,031	7,445	17,476
Director's remuneration	-	4,419	4,419	-	9,461	9,461
Pension expense	3,723	3,985	7,708	4,274	3,911	8,185
Other employee benefit expense	5,809	3,880	9,689	7,140	3,844	10,984
Depreciation expense	49,952	17,731	67,683	55,718	14,298	70,016
Amortization expense	75	495	570	75	229	304

Note:

1. As at December 31, 2022 and 2021, the number of Company's employees was 249 and 295, including 6 non-employee directors, respectively.

2. For the entity that its shares are listed on TWSE or TPEX, the following additional disclosures are required:

- (1) The average employee benefit expense this year is \$765 ("total employee benefit expense for this year - total directors' remuneration" / "the number of employees this year - the number of non-employee directors").  
The average employee benefit expense in the previous year was \$774 ("total employee benefit expense in the previous year - total directors' remuneration" / "the number of employees in the previous year - the number of non-employee directors").
- (2) The average employee salary expense this year is \$627 (total salary expense for this year/"the number of employees for this year - the number of non-employee directors").  
The average salary cost of employees in the previous year was \$647 (total salary expense in the previous year/" the number of employees in the previous year - the number of non-employee directors").
- (3) The adjustment and change of average employee salary expenses decreased by 3.11% ("average employee salary expense this year - average employee salary expense in the previous year"/average employee salary expenses in the previous year).
- (4) The supervisor's remuneration for this year and the previous year is \$0. The Company has an audit committee, so supervisors are not paid.
- (5) The Company's remuneration policy (including directors, managers, and employees)  
The director's remuneration of the Company includes independent director's remuneration, traveling expenses, and director's remuneration. Independent directors receive fixed monthly remuneration and do not participate in the distribution of director remuneration. Travel expenses are paid according to the director's attendance at the board meeting. Except that independent directors do not participate in the distribution of directors' remuneration, according to the Company's articles of Incorporation, if the company makes annual profits, no more than 5% should be allocated as director's remuneration. After deliberation and approval by the salary and compensation committee, the board of directors will decide on the distribution. The remuneration of the Company's managers and employees includes salary, retirement pension, bonuses, and employee remuneration, etc. Reasonable remuneration is given according to the salary level of the position among peers, the scope of power and responsibility within the Company, the contribution to the Company's operational goals, and the achievement rate of personal performance. The salary and compensation committee formulates and regularly reviews the policies, systems, standards and structures for performance evaluation and remuneration of directors and managers, regularly evaluates and determines the rationality of remuneration for directors and managers, and submits the proposed recommendations to the board of directors for discussion. In addition, the Company's articles of Incorporation stipulate that if there is profit in the year, 5% -15% should be allocated as employee remuneration.

FOCI Fiber Optic Communications, Inc.  
Loans to Others  
For the year ended Dec 31, 2022

Appendix 1

Unit: NT\$1,000; US\$1,000; RMB1,000  
(unless otherwise specified)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended (Note 2)	Ending Balance	Actual amount drawn down	Interest Rate	Nature of loan (Note 3)	Transaction amount	Reason for short-term financing	Allowance for doubtful accounts	Collateral		limit on loans granted to a single party	Ceiling on total loans granted	Note
													Name	Value			
1	Shanghai FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	Other receivables - related parties	Yes	\$ 66,120 (RMB 15,000)	\$ -	\$ -	4.35	Business Transaction	\$ 96,745	-	-	-	-	\$ 96,745 (Note 4)	\$ 388,975 (Note 5)	
2	Jiangxi FOCI Fiber Optic Communication, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	Other receivables - related parties	Yes	\$ 88,160 (RMB 20,000)	\$ 88,160 (RMB 20,000)	\$ 88,160 (RMB 20,000)	4.35	Operating capital	-	-	-	-	-	\$ 104,963 (Note 6)	\$ 104,963 (Note 6)	

Note 1: The description of the No. is as follows:

(1) Issuer fills in 0.

(2) Invested companies are numbered sequentially, starting from 1 by company.

Note 2: The maximum balance of funds loaned to others in the current year.

Note 3: The nature of the loan should be listed as a business transaction or a operating capital

Note 4: Shanghai FOCI Fiber Optic Communications, Inc. funds are loaned to companies or firms with business contacts, and individual loans shall not exceed the business transactions between the two parties in the most recent year. The so-called business transaction amount refers to the goods purchased or sold between the two parties, whichever is higher.

Note 5: Shanghai FOCI Fiber Optic Communications, Inc. funds are loaned to companies that directly and indirectly hold 100% of the voting shares. The total loan amount shall not exceed the net equity of Shanghai FOCI Fiber Optic Communications, Inc..

Note 6: Jiangxi FOCI Fiber Optic Communication, Inc. funds are loaned to companies whose parent company holds 100% of the voting shares, directly and indirectly. The total loan amount shall not exceed the net equity of Jiangxi FOCI Fiber Optic Communication, Inc..

FOCI Fiber Optic Communications, Inc.  
Provision of endorsements and guarantees to others  
For the year ended Dec 31, 2022

Appendix 2

Unit: NT\$1,000  
(unless otherwise specified)

No. Note 1	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provide for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount	Outstanding endorsement/ guarantee amount	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of the accumulated endorsement guarantee amount to the net equity of the latest financial statement (%)	Ceiling on total amount of endorsements/ guarantees provided(Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ Guarantees to the party in Mainland China	Note
		Company Name	Relationship (Note 2)											
0	FOCI Fiber Optic Communications, Inc.	Shanghai FOCI Fiber Optic Communications, Inc.	2	\$ 498,151	\$ 61,420	\$ 61,420	\$ -	\$ -	3.70	\$ 830,252	Y	N	Y	
0	FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	2	498,151	30,710	30,710	-	-	1.85	830,252	Y	N	Y	

Note 1: The description of the No. is as follows:

- (1) Issuer fills in 0.
- (2) Invested companies are numbered sequentially, starting from 1 by company.

Note 2: There are seven types of relations between the endorser and the endorsed, and the type can be marked:

- (1) Companies with business transactions.
- (2) Companies directly or indirectly hold more than 50% of the shares with voting rights.
- (3) Companies directly or indirectly hold more than 50% of the Company's voting shares.
- (4) Companies directly or indirectly hold more than 90% of the voting shares.
- (5) Based on the needs of contracting projects, companies in the same industry or co-constructors are mutually insured according to the contract.
- (6) Due to the joint investment relationship, companies endorsed and guaranteed by all the shareholders by their shareholding ratio.
- (7) Peers that conduct joint guarantees for pre-sale housing sales contracts under the Consumer Protection Act.

Note 3: The total amount of the Company's external endorsement guarantee shall not exceed 50% of the net value of the current period. The endorsement guarantee for a single enterprise is limited to under 20% of the net equity of the current period. A single overseas affiliated company is limited to under 30% of the net equity. If the endorsement guarantee is engaged due to business relations, the transaction with the Company in the latest year shall not exceed the total amount.

FOCI Fiber Optic Communications, Inc.

Securities held at the end of the period (excluding investment subsidiaries, associates, and joint venture control parts)

For the year ended Dec 31, 2022

Appendix 3

Unit: NT\$1,000  
(unless otherwise specified)

Holding Company	Type and Name of Securities	Relation with Securities Issuers	Account Subject	End of Period				Note
				Number of shares/units (thousand shares/unit)	Book Value	Shareholding Ratio	Fair Value	
FOCI FOCI Fiber Optic Communications, Inc.	APEX OPTECH CORPORATION	No	Financial assets at fair value through other comprehensive income	99	\$ 1,576	3.95%	\$ 1,576	
FOCI FOCI Fiber Optic Communications, Inc.	APEX BVI	No	Financial assets at fair value through other comprehensive income	155	-	1.83%	-	
FOCI FOCI Fiber Optic Communications, Inc.	DARJUN VENTURE CORPORATION	No	Financial assets at fair value through other comprehensive income	2,738	28,680	5.78%	28,680	
FOCI FOCI Fiber Optic Communications, Inc.	GINGY Technology Inc.	No	Financial assets at fair value through other comprehensive income	62	763	1.23%	763	
FOCI FOCI Fiber Optic Communications, Inc.	Xsense Technology Corporation, INC.	No	Financial assets at fair value through other comprehensive income	2,263	21,115	9.84%	21,115	
FOCI FOCI Fiber Optic Communications, Inc.	Aptos Technology Inc.	No	Financial assets at fair value through other comprehensive income	9,000	103,861	14.91%	103,861	
FOCI FOCI Fiber Optic Communications, Inc.	ADVAGENE BIOPHARMA CO., LTD.	No	Financial assets at fair value through other comprehensive income	1,207	36,270	2.45%	36,270	
FOCI FOCI Fiber Optic Communications, Inc.	United Microelectronics Corporation	No	Financial assets at fair value through profit or loss	4,000	162,800	0.03%	162,800	

FOCI Fiber Optic Communications, Inc.  
 Accumulative purchase or sale of the same securities over NT\$300 million or 20% of the paid-in capital  
 For the year ended Dec 31, 2022

Appendix 4

Unit: NT\$1,000  
(unless otherwise specified)

Purchasing/Selling Company	Type and Name of Securities	Account Subject	Trading partners	Relation	Beginning of Period		Purchase		Sale			End of Period		
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Sale Price	Book Value Cost	Disposal profit and loss	Number of Shares	Amount
FOCI Fiber Optic Communications, Inc.	United Microelectronics Corporation	Financial assets at fair value through profit or loss - current			-	\$ -	4,000,000	\$ 237,460	-	\$ -	\$ -	\$ -	4,000,000	\$ 162,800

FOCI Fiber Optic Communications, Inc.

Purchase and sale from or to related parties reaching NT\$100 million or 20% of the Company's paid-in capital or more

For the year ended Dec 31, 2022

Appendix 5

Unit: NT\$1,000  
(unless otherwise specified)

Purchasing/Selling Company	Trading Partner Name	Relation	Transaction Situation				Situations and reasons why transaction conditions are different from general transactions		Notes and accounts receivable (payable)		
			Purchase (Sales)	Amount	Ratio of total purchases (sales)	Credit Period	Unit Price	Credit Period	Balance	Ratio to total notes and accounts receivable (payable)	Note
FOCI Fiber Optic Communications, Inc.	Shanghai FOCI Fiber Optic Communications, Inc.	Subsidiaries	Purchase	\$ 478,452	34.77%	60 days	Note 1	Note 1	(\$ 141,442)	53.64%	
FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	Subsidiaries	Purchase	421,587	30.63%	60 days	Note 1	Note 1	( 84,976)	32.22%	

Note 1: The inventories purchased by the Company from related parties were not purchased from other suppliers. Since there is no market price to compare, the transaction price is determined by referring to the market situation and negotiation between the two parties. The payment terms are the same as the ordinary customers, but it is also charged according to the capital demand of the subsidiary.

FOCI Fiber Optic Communications, Inc.  
 Receivables from related parties over NT\$100 million or 20% of the paid-in capital  
 For the year ended Dec 31, 2022

Appendix 6

Unit: NT\$1,000  
 (unless otherwise specified)

Accounts Receivable Company	Trading Partner Name	Relation	Balance of receivables from related parties (Note 1)	Turnover	Overdue receivables from related parties		Amount recovered after due date	Provision for bad debts
					Amount	Disposal Approach		
Shanghai FOCI Fiber Optic Communications, Inc.	FOCI Fiber Optic Communications, Inc.	Parent Company	\$ 141,442	2.55	\$ -	-	\$ 24,112	\$ -

Note 1: Please fill in the accounts, notes, and other receivables, from related parties separately.

FOCI Fiber Optic Communications, Inc.

The business relationship between the parent company and its subsidiaries and each subsidiary and important transactions

For the year ended Dec 31, 2022

Appendix 7

Unit: NT\$1,000  
(unless otherwise specified)

No. (Note 1)	Trading Partner Name	Trading Object	Relation with the Trader (Note 2)	Transaction Status			Ratio to consolidated total revenue or assets (Note 3)
				Subject	Amount	Transaction Terms	
0	FOCI Fiber Optic Communications, Inc.	Shanghai FOCI Fiber Optic Communications, Inc.	1	Purchase	\$ 478,452	Note 5	29%
0	FOCI Fiber Optic Communications, Inc.	Shanghai FOCI Fiber Optic Communications, Inc.	1	Sales	103,795	Note 5	6%
0	FOCI Fiber Optic Communications, Inc.	Shanghai FOCI Fiber Optic Communications, Inc.	1	Accounts Payable	141,442	Note 5	6%
0	FOCI Fiber Optic Communications, Inc.	Shanghai FOCI Fiber Optic Communications, Inc.	1	Accounts Receivable	30,075	Note 5	1%
0	FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	1	Purchase	421,587	Note 5	25%
0	FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	1	Sales	203,967	Note 5	12%
0	FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	1	Accounts Payable	84,976	Note 5	4%
0	FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	1	Accounts Receivable	30,426	Note 5	1%
1	Jiangxi FOCI Fiber Optic Communication, Inc.	Shanghai FOCI Fiber Optic Communications, Inc.	3	Sales Revenue	16,484	Note 5	1%
1	Jiangxi FOCI Fiber Optic Communication, Inc.	Shanghai FOCI Fiber Optic Communications, Inc.	3	Accounts Receivable	4,600	Note 5	0%
2	Shanghai FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	3	Purchase	21,658	Note 5	1%
2	Shanghai FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	3	Sales Revenue	96,745	Note 5	6%
2	Shanghai FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	3	Accounts Receivable	7,616	Note 5	0%
2	Shanghai FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	3	Interest Income	1,863	Note 5	0%

Note 1: The business transaction information between the parent company and its subsidiaries should be indicated. The method of filling in No. is as follows:

(1) Parent company fill in 0.

(2) Subsidiaries are numbered sequentially, starting from 1 by company.

Note 2: There are three types of relation with the trader, and the type of indication is sufficient (if it is the same transaction between a parent company and subsidiaries or between subsidiaries, there is no need to disclose it repeatedly. For example: if the parent company has already disclosed the transaction of the subsidiary, the subsidiary does not need to be disclosed repeatedly. For transactions between subsidiaries, if one subsidiary has already disclosed, the other subsidiary does not need to disclose repeatedly):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: The ratio of the transaction amount to the consolidated total revenue or assets is calculated by the balance at the end of the period as a percentage of the consolidated total assets if it is an asset and liability item. If it is a profit or loss item, it shall be calculated based on the accumulative amount during the period as a percentage of the consolidated total revenue.

Note 4: The Company can determine the important transactions in this form based on the materiality principle.

Note 5: The transaction price with related parties is determined after negotiation between the two parties, and the payment terms are due 60 to 90 days after the date of sale or purchase.

Note 6: The capital loan amount between the company and its subsidiaries.

FOCI Fiber Optic Communications, Inc.

Invested company name, location, and other relevant information (excluding Mainland Chinese invested companies)

For the year ended Dec 31, 2022

Appendix 8

Unit: NT\$1,000  
(unless otherwise specified)

Investing Company Name	Invested Company Name	Location	Main Business	Original Investment Amount		Holding at the end of the period			Current profit and loss of the invested company	Current recognized investment profit and loss	Note
				End of Current Period	End of Last Year	Number of Shares (1,000)	Ratio	Book Value			
FOCI Fiber Optic Communications, Inc.	FIOPTec Inc.	Cayman Islands	Investment	\$ 370,421	\$ 475,530	\$ 15,050	100%	\$ 493,845	\$ 56,648	\$ 56,648	Note 1 Note 2
FOCI Fiber Optic Communications, Inc.	BKS TEC Corp.	Taiwan	Photoelectric	21,420	21,420	6,000	11.76%	14,673	(36,814)	(4,736)	

Note 1: On June 13, 2022, the board of directors of FIOPTec Inc. passed a resolution on the earning distribution before 2020 (inclusive), distributing cash dividends of US\$1,999,000, equivalent to NT\$59,323,000. The deducted withholding tax is US\$1,790,000, equivalent to NT\$53,133,000, paid on June 15, 2022.

Note 2: On July 21, 2022, the board of directors of FIOPTec Inc. passed a resolution on the earning distribution before 2021 (inclusive), distributing cash dividends of US\$1,936,000, equivalent to NT\$57,779,000. The deducted withholding tax is US\$1,741,000, equivalent to NT\$51,975,000, paid on July 21, 2022.

FOCI Fiber Optic Communications, Inc.  
Mainland China Investment Information - Basic Information  
For the year ended Dec 31, 2022

Appendix 9

Unit: NT\$1,000; US\$1,000; RMB1,000  
(unless otherwise specified)

Invested Company Name in Mainland China	Main Business	Paid-in capital	Investment method	Accumulative investment amount remitted from Taiwan at the beginning of the current period	Remittance or withdrawal of investment amount in the current period		Accumulative investment amount remitted from Taiwan at the end of the current period	Current profit and loss of the invested company	Shareholding ratio of the company's direct or indirect investment	Recognized current investment profit and loss (Note 3)	Investment Book Value at the end of the period	Repatriated investment income as of the current period	Note
					Remittance	Withdrawal							
Shanghai FOCI Fiber Optic Communications, Inc.	Production and processing of optical fiber passive components, jumpers, tail wire, couplers, testers, switches, optical controllers, optical fiber communication rooms' parts, accessories, related consulting and technical services, and sales of the Company's products	USD 10,050	Note 1	\$ 325,914 (USD 10,050)	\$ -	\$ 105,109	\$ 220,805 (USD 6,519)	\$ 54,908	100%	\$ 54,908	\$ 388,975	\$ 105,109	Note 4
Jiangxi FOCI Fiber Optic Communication, Inc.	Production and processing of optical fiber passive components, jumpers, tail wire, couplers, testers, switches, optical controllers, optical fiber communication rooms' parts, accessories, related consulting and technical services, and sales of the Company's products	USD 5,000	Note 1	149,616 (USD 5,000)	-	-	149,616 (USD 5,000)	1,937	100%	1,937	104,963	-	
Zhongsan FOCI Fiber Optic Communications, Inc.	Production and processing of optical fiber passive components, jumpers, tail wire, couplers, testers, switches, optical controllers, optical fiber communication rooms' parts, accessories, related consulting and technical services, and sales of the Company's products	CNY 20,000	Note 2	-	-	-	-	27,199	100%	27,199	77,489	-	
Company Name	The accumulative investment remitted from Taiwan to Mainland China at the end of the current period	Investment amount approved by the Investment Commission, MOEA	Investment limit for Mainland China by Investment Commission, MOEA										
FOCI Fiber Optic Communications, Inc.	\$ 370,421	\$ 370,421	\$ 996,303										

Note 1: The method is to reinvest in Mainland Chinese companies through FIOPTec INC.

Note 2: The method is to reinvest in Mainland Chinese companies through Shanghai FOCI Fiber Optic Communications, Inc..

Note 3: The financial statements of Shanghai FOCI Fiber Optic Communications, Inc. and Zhongsan FOCI Fiber Optic Communications, Inc. are calculated based on the audit by the accountants of the parent company during the same period.

Note 4: (1) On March 21, 2022, the board of directors of Shanghai FOCI Fiber Optic Communications, Inc. approved the earning distribution plan before 2020 (inclusive), distributing cash dividends of RMB 13,266,000, equivalent to NT\$59,323,000. The deducted withholding tax is RMB 11,939,000, equivalent to NT\$53,133,000, paid on June 9, 2022.

(2) On June 30, 2022, the board of directors of Shanghai FOCI Fiber Optic Communications, Inc. approved the 2021 earning distribution plan, distributing cash dividends of RMB 13,018,000, equivalent to NT\$57,779,000. The deducted withholding tax is RMB 11,716,000, equivalent to NT\$51,975,000, paid on July 15, 2022.

FOCI Fiber Optic Communications, Inc.

Major Shareholder Information

For the year ended Dec 31, 2022

Appendix 10

Major Shareholder Name	Shares	
	Shareholding	Percentage
Song-fure Lin	4,626,367	5.23%

**Appendix 3: 2022 consolidated financial statements and independent auditors' report**

FOCI Fiber Optic Communications, Inc.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2022, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard No. 10. Additionally, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby Declare,

Company Name: FOCI Fiber Optic Communications, Inc.

Person in Charge: Song-fure Lin

2/23/2023

Independent Auditors' Report  
(Consolidated Financial Statements )

The Board of Directors of FOCI Fiber Optic Communications, Inc.

## **Opinion**

We have audited the consolidated financial statements of FOCI Fiber Optic Communications, Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

## **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 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

## **Assessment of Accounts Receivable Impairment**

### Description of key audit matter

Please refer to Note 4 (10) for the accounting policy of evaluating accounts receivable and refer to Notes 5 (2) and 6 (5) to accounts receivable descriptions. FOCI Fiber Optic Communications, Inc. estimates the expected credit impairment losses that may occur based on historical experience and other known reasons or existing objective evidence. Due to the management's subjective judgment in the assessment and has estimation uncertainty, and considering the significant impact of accounts receivable on the financial statements, therefore assessment of accounts receivable impairment as a key audit item.

### How the matter was addressed in our audit

In relation to the key audit matter above, our principal audit procedures the accounts receivable impairment are as follows:

1. Assess the rationality of the expected credit loss policy provision for accounts receivable.
2. Test the completeness and correctness of the accounts receivable aging analysis table.
3. Evaluate the rationality of expected credit losses based on the customer's past payment records and forward-looking information.
4. Perform post-period collection tests to understand the future recovery of accounts receivable.

### **Other matter – Parent company only financial reports**

We have audited and expressed an unmodified opinion on the parent company only financial statements of FOCI Fiber Optic Communications, Inc. as at and for the years ended December 31, 2022 and 2021.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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 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.

### **Auditor's 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 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 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 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 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 Company 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 appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company 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 of the current period 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.

PricewaterhouseCoopers, Taiwan (Republic of China)

Feb 23, 2023

#### Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese.

version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

FOCI Fiber Optic Communications, Inc. and Subsidiaries  
Consolidated Balance Sheet  
December 31, 2022 and 2021  
(Expressed in Thousands of New Taiwan dollars)

Assets	Notes	Dec 31, 2022		Dec 31, 2021		
		Amount	%	Amount	%	
<b>Current Assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 561,256	26	\$ 613,560	26
1110	Financial assets at fair value through profit or loss-current	6(2)	162,800	7	32	-
1150	Notes receivable, net	6(5)	92	-	1,027	-
1170	Accounts receivable, net	6(5)	330,611	15	464,682	20
1180	Accounts receivable from related parties, net	6(5) and 7	789	-	786	-
1200	Other receivables	7	11,189	1	39,241	2
1220	Current tax assets		-	-	8,084	-
130X	Inventories	6(6)	342,559	16	363,158	16
1470	Other current assets		7,163	-	9,983	-
<b>11XX</b>	<b>Total Current Assets</b>		<u>1,416,459</u>	<u>65</u>	<u>1,500,553</u>	<u>64</u>
<b>Non-Current Assets</b>						
1517	Financial assets at fair value through other comprehensive income-non-current	6(3)	192,265	9	127,942	6
1535	Financial assets at amortised cost-non-current	6(4) and 8	2,939	-	2,997	-
1550	Investments accounted for using equity method	6(7)	14,673	1	19,410	1
1600	Property, plant, and equipment	6(8)	376,918	17	450,931	19
1755	Right-of-use assets	6(9)	97,270	5	131,653	6
1760	Investment property, net	6(11)	53,528	2	65,434	3
1780	Intangible assets		3,291	-	422	-
1840	Deferred tax assets		9,211	-	6,478	-
1900	Other non-current assets	6(12)	11,375	1	21,688	1
<b>15XX</b>	<b>Total Non-Current Assets</b>		<u>761,470</u>	<u>35</u>	<u>826,955</u>	<u>36</u>
<b>1XXX</b>	<b>Total Assets</b>		<u>\$ 2,177,929</u>	<u>100</u>	<u>\$ 2,327,508</u>	<u>100</u>

(continued on next page)

FOCI Fiber Optic Communications, Inc. and Subsidiaries  
Consolidated Balance Sheet  
December 31, 2022 and 2021  
(Expressed in Thousands of New Taiwan dollars)

Liabilities and Equity	Notes	Dec 31, 2022		Dec 31, 2021		
		Amount	%	Amount	%	
<b>Current Liabilities</b>						
2100	Short term loans	6(13)	\$ 180,000	8	\$ 20,000	1
2130	Contract liabilities-current		6,089	-	3,442	-
2150	Notes payable		1,546	-	1,903	-
2170	Accounts payable	7	131,190	6	262,791	11
2200	Other payables	6(15)	67,179	3	103,939	4
2230	Current tax liabilities		17,684	1	41,486	2
2280	Lease liabilities- current		18,066	1	20,596	1
2300	Other current liabilities	6(14)	8,514	1	11,722	1
21XX	<b>Total Current Liabilities</b>		<u>430,268</u>	<u>20</u>	<u>465,879</u>	<u>20</u>
<b>Non-Current Liabilities</b>						
2570	Deferred tax liabilities		3,683	-	12,128	1
2580	Lease liabilities- non-current		81,761	4	96,448	4
2600	Other non-current liabilities		1,714	-	2,086	-
25XX	<b>Total Non-Current Liabilities</b>		<u>87,158</u>	<u>4</u>	<u>110,662</u>	<u>5</u>
2XXX	<b>Total Liabilities</b>		<u>517,426</u>	<u>24</u>	<u>576,541</u>	<u>25</u>
<b>Equity</b>						
	Share Capital	6(17)				
3110	Ordinary shares		883,366	40	882,731	38
	Capital surplus	6(18)				
3200	Capital surplus		555,581	25	554,756	24
	Retained earnings	6(19)				
3310	Legal reserve		130,433	6	115,107	5
3320	Special reserve		170,586	8	132,277	6
3350	Unappropriated retained earnings		88,764	4	236,682	10
	Other equity interest	6(20)				
3400	Other equity interest		( 168,227)	( 7)	( 170,586)	( 8)
3XXX	<b>Total Equity</b>		<u>1,660,503</u>	<u>76</u>	<u>1,750,967</u>	<u>75</u>
	Significant events after the balance sheet date	11				
3X2X	<b>Total Liabilities and Equity</b>		<u>\$ 2,177,929</u>	<u>100</u>	<u>\$ 2,327,508</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements

FOCI Fiber Optic Communications, Inc. and Subsidiaries  
Consolidated Statements of Comprehensive Income  
For the years ended December 31, 2022 and 2021  
(Expressed in Thousands of New Taiwan dollars, except earnings per share)

Items	Notes	2022		2021	
		Amount	%	Amount	%
4000 Operating revenues	6(21)	\$ 1,620,659	100	\$ 1,988,269	100
5000 Operating costs	6(6)	( 1,323,529)	( 82)	( 1,533,623)	( 77)
5900 Gross profits		<u>297,130</u>	<u>18</u>	<u>454,646</u>	<u>23</u>
Operating expenses					
6100 Selling expenses		( 38,554)	( 2)	( 49,935)	( 3)
6200 Administrative expenses		( 83,789)	( 5)	( 81,971)	( 4)
6300 Research and development expenses		( 77,580)	( 5)	( 84,309)	( 4)
6450 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9		( 65)	-	<u>2,844</u>	-
6000 Total Operating expenses		( 199,988)	( 12)	( 213,371)	( 11)
6900 Operating income (loss)		<u>97,142</u>	<u>6</u>	<u>241,275</u>	<u>12</u>
Non-operating income and expenses					
7100 Interest income	6(22)	1,859	-	821	-
7010 Other income	6(23)	6,877	-	12,577	1
7020 Other gains and losses		( 24,452)	( 1)	24,057	1
7050 Financial costs		( 4,014)	-	( 4,158)	-
7060 Share of profit (loss) of associates and joint ventures	6(7)	( 4,736)	-	( 2,010)	-
7000 Total Non-Operating Income and Expenses		( 24,466)	( 1)	<u>31,287</u>	<u>2</u>
7900 <b>Profit (loss) before tax</b>		<u>72,676</u>	<u>5</u>	<u>272,562</u>	<u>14</u>
7950 Income tax expense		( 25,655)	( 2)	( 70,918)	( 4)
8200 <b>Net Profit</b>		<u>\$ 47,021</u>	<u>3</u>	<u>\$ 201,644</u>	<u>10</u>
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified to profit</b>					
8316 Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)(20)	(\$ 5,680)	-	(\$ 50,044)	( 2)
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361 Exchange differences on translation		10,049	-	3,944	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss		( 2,010)	-	( 788)	-
8300 <b>Other comprehensive income, net</b>		<u>\$ 2,359</u>	<u>-</u>	<u>(\$ 46,888)</u>	<u>( 2)</u>
8500 <b>Total comprehensive income</b>		<u>\$ 49,380</u>	<u>3</u>	<u>\$ 154,756</u>	<u>8</u>
Net (Loss) Profit Attributable to:					
8610 Shareholders of the Company		<u>\$ 47,021</u>	<u>3</u>	<u>\$ 201,644</u>	<u>10</u>
Comprehensive Income Attributable to:					
8710 Shareholders of the Company		<u>\$ 49,380</u>	<u>3</u>	<u>\$ 154,756</u>	<u>8</u>
Basic earnings per share					
9750 Basic earnings per share		<u>\$ 0.53</u>	<u>\$ 2.31</u>		
Diluted earnings per share					
9850 Diluted earnings per share		<u>\$ 0.53</u>	<u>\$ 2.27</u>		

The accompanying notes are an integral part of these consolidated financial statements

**FOCI Fiber Optic Communications, Inc. and Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2022 and 2021**  
**(Expressed in thousands of New Taiwan dollars)**

	Notes	Equity attributable to owners of the parent company								
		Retained Earnings					Other equity interest			
		Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements Translation differences of Foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury shares	Total Equity
Year ended December 31, 2021										
Balance at January 1, 2021		\$ 910,739	\$ 585,431	\$ 108,103	\$ 81,301	\$ 228,478	(\$ 42,631)	(\$ 89,647)	(\$ 126,347)	\$ 1,655,427
Net profit		-	-	-	-	201,644	-	-	-	201,644
Other comprehensive (loss) income for the year		-	-	-	-	-	3,156	( 50,044)	-	( 46,888)
Total comprehensive income (loss)		-	-	-	-	201,644	3,156	( 50,044)	-	154,756
Distribution of retained earnings of 2020:	6(19)									
Legal reserve		-	-	7,004	-	( 7,004)	-	-	-	-
Special reserve		-	-	-	50,976	( 50,976)	-	-	-	-
Cash dividends		-	-	-	-	( 87,074)	-	-	-	( 87,074)
Convertible corporate bond conversion		11,992	15,866	-	-	-	-	-	-	27,858
Treasury shares cancellation		( 40,000)	( 46,541)	-	-	( 39,806)	-	-	126,347	-
Disposal of equity instruments measured at fair value through other Comprehensive income	6(3)	-	-	-	-	( 8,580)	-	8,580	-	-
Balance at December 31, 2021		\$ 882,731	\$ 554,756	\$ 115,107	\$ 132,277	\$ 236,682	(\$ 39,475)	(\$ 131,111)	\$ -	\$ 1,750,967
Year ended December 31, 2022										
Balance at January 1, 2022		\$ 882,731	\$ 554,756	\$ 115,107	\$ 132,277	\$ 236,682	(\$ 39,475)	(\$ 131,111)	\$ -	\$ 1,750,967
Net profit		-	-	-	-	47,021	-	-	-	47,021
Other comprehensive (loss) income for the year		-	-	-	-	-	8,039	( 5,680)	-	2,359
Total comprehensive income (loss)		-	-	-	-	47,021	8,039	( 5,680)	-	49,380
Distribution of retained earnings of 2021:	6(19)									
Legal reserve		-	-	15,326	-	( 15,326)	-	-	-	-
Special reserve		-	-	-	38,309	( 38,309)	-	-	-	-
Cash dividends		-	-	-	-	( 141,304)	-	-	-	( 141,304)
Convertible corporate bond conversion		635	825	-	-	-	-	-	-	1,460
Balance at December 31, 2022		\$ 883,366	\$ 555,581	\$ 130,433	\$ 170,586	\$ 88,764	(\$ 31,436)	(\$ 136,791)	\$ -	\$ 1,660,503

The accompanying notes are an integral part of these consolidated financial statements

FOCI Fiber Optic Communications, Inc. and Subsidiaries  
Consolidated Statements of Cash Flows  
For the years ended December 31, 2022 and 2021  
(Expressed in Thousands of New Taiwan dollars)

<u>Cash Flows from Operating Activities</u>	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Profit before tax		\$ 72,676	\$ 272,562
Adjustment Item			
Adjustments to reconcile profit (loss)			
Depreciation expense		96,579	101,715
Amortization expense		570	304
Expected credit loss (gains for reversal)	12(2)	65	( 2,844 )
Net loss (gain) on financial assets or liabilities at fair value through profit or loss		74,690	( 36,661 )
Interest expense		4,014	4,158
Interest income	6(22)	( 1,859 )	( 821 )
Dividend income	6(23)	( 1,095 )	( 1,177 )
Share of loss (profit) of associates and joint ventures	6(7)	4,737	2,010
Loss (gain) on disposal of property, plan and equipment		18,414	530
Impairment reversal on non-financial assets		( 19,242 )	-
Impairment loss on non-financial assets		-	1,655
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		935	( 976 )
Accounts receivable		141,538	( 76,678 )
Other receivables		28,852	( 22,467 )
Inventories		22,474	( 104,394 )
Other current assets		2,832	5,115
Changes in operating liabilities			
Contract liabilities - Current		2,638	1,451
Notes payable		( 357 )	252
Accounts payable		( 136,893 )	48,978
Other payables		( 42,015 )	( 2,135 )
Other current liabilities		( 1,893 )	1,931
Net Defined benefit liability		-	( 1,650 )
Cash inflow generated from operations		267,660	190,858
Dividends received		1,095	1,177
Income tax paid		( 52,692 )	( 20,393 )
Net cash flows from (used in) operating activities		216,063	171,642

(continued on next page)

FOCI Fiber Optic Communications, Inc. and Subsidiaries  
Consolidated Statements of Cash Flows  
For the years ended December 31, 2022 and 2021  
(Expressed in Thousands of New Taiwan dollars)

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
<u>Cash Flow from Investing Activities</u>			
Acquisition of financial assets at fair value through other comprehensive income		(\$ 70,002 )	(\$ 69,911 )
Disposal (acquisition) of financial assets measured at amortized cost		58	( 27 )
Acquisition of financial assets at fair value through profit or loss		( 237,460 )	( 12,924 )
Proceeds from disposal of financial assets at fair value through profit or loss		-	267,952
Acquisition of property, plant, and equipment		( 17,050 )	( 28,550 )
Proceeds from disposal of property, plant and equipment		68,352	1,116
Decrease in refundable deposits		597	18,976
Acquisition of Intangible Assets		( 3,440 )	-
Increase in other non-current assets		( 469 )	( 828 )
Advance payment for equipment (increase) decrease		( 5,251 )	2,060
Interest received		1,797	839
Net cash flows from (used in) investing activities		( 262,868 )	178,703
<u>Cash Flow from Financing Activities</u>			
Increase (Decrease) in short-term loans		160,000	( 40,000 )
Increase (Decrease) in guarantee deposits received		( 372 )	144
Payments of lease liabilities		( 21,235 )	( 15,328 )
Cash dividends paid	6(19)	( 141,304 )	( 87,074 )
Interest paid		( 3,782 )	( 3,575 )
Net cash flows from (used in) financing activities		( 6,693 )	( 145,833 )
Effect of exchange rate changes on cash and cash equivalents		1,194	178
Net increase (decrease) in cash and cash equivalents		( 52,304 )	204,690
Cash and cash equivalents at beginning of period		613,560	408,870
Cash and cash equivalents at end of period		\$ 561,256	\$ 613,560

The accompanying notes are an integral part of these consolidated financial statements

FOCI Fiber Optic Communications, Inc. and Subsidiaries  
Notes to The Consolidated Financial Statements  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in Thousands of New Taiwan Dollars, Unless otherwise specified)

1. Company History

FOCI Fiber Optic Communications, Inc. (hereinafter referred to as “the Company”) was established in the Republic of China on Jun 14, 1995, and started business in September of the same year. The main businesses of the Company are R&D, manufacturing, and sales of various optical fiber passive components, optical fiber test instruments, optical fiber application systems, and planning, design, consulting, and technical services for the integration of the product mentioned above systems.

The Company’s stock has been listed on the Taipei Exchange since Feb 25, 2011.

2. Dates and Procedures for Approval of Financial Reports

This consolidated financial statements were approved by the board of directors on Feb 23, 2023.

3. Application of New and Revised Standards and Interpretations

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became effective from 2022 are as follows :

<u>New standards, interpretations and amendments</u>	<u>Effective date of IASB issue</u>
Amendments to IFRS No.3 “Reference to the conceptual framework”	1/1/2022
Amendments to IAS No. 16 “Property, plant, and equipment: proceeds before intended use”	1/1/2022
Amendments to IAS No. 37 “Onerous contracts—costs of fulfilling a contracts”	1/1/2022
Annual Improvement to IFRS standards 2018-2020	1/1/2022

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

- (2) Effect of new issuances of or amendments to IFRS as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows :

<u>New standards, interpretations and amendments</u>	<u>Effective date of IASB issue</u>
Amendments to IAS No. 1 “Disclosure of accounting policies”	1/1/2023
Amendments to IAS No. 8 “Definition of accounting estimates”	1/1/2023
Amendments to IAS No. 12 “Deferred tax related to assets and liabilities arising from a single transaction”	1/1/2023

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(3) Effect of IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows :

<u>New standards, interpretations and amendments</u>	<u>Effective date of IASB issue</u>
Amendments to IFRS No. 10 and IAS No. 28 “Sales or contributions of assets between an investor and its associate or joint ventures”	To be determined by IASB
Amendments to IFRS 16 No. “Lease liabilities in a sale and leaseback”	1/1/2024
IFRS No. 17 “ Insurance contracts”	1/1/2023
Amendments to IFRS No. 17 “Insurance contracts”	1/1/2023
Amendments to IFRS No. 17 “Initial application of IFRS No. 17 and IFRS No. 9 - comparative information”	1/1/2023
Amendments to IAS No. 1 “Classification of liabilities as current or non-current”	1/1/2024
Amendments to IAS No. 1 “Non-current liabilities with covenants”	1/1/2024

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

#### 4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The policies have been consistently applied to the periods presented, unless otherwise stated.

(1) Compliance Statement

The consolidated financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Compilation Basis

1. Except for the following important items, this consolidated financial statements have been prepared under the historical cost convention:
  - a. Financial assets and liabilities (including derivatives) measured at fair value through profit or loss.
  - b. Financial assets measured at fair value through other comprehensive income.
  - c. Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligations.

2. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Consolidation Basis

1. Basis for preparation of consolidated financial statements:
  - a. All subsidiaries are included in the Company's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Company obtains control of the subsidiaries and ceases when the Company loses control of the subsidiaries.
  - b. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
  - c. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the noncontrolling interests having a deficit balance.
  - d. Suppose the change in the shareholding of the subsidiary does not lead to the loss of control (transaction with non-controlling interests). In that case, it is treated as an equity transaction, regarded as a transaction with the owner. The difference between the adjusted amount for the non-controlling interest and the fair value of the consideration paid or received is recognized directly in equity.
  - e. When the Company loses control over a subsidiary, the remaining investment in the former subsidiary is remeasured at fair value. And as the fair value of the originally recognized financial assets or the cost of the originally recognized investment in affiliated enterprises or joint ventures, the difference between the fair value and the book value is recognized as current profit or loss. All amounts previously recognized in other comprehensive profit or loss related to the subsidiary are accounted for on the same basis as if the Company had directly disposed of the related assets or liabilities. Suppose the profit or loss previously recognized as other comprehensive profit or loss will be reclassified when dealing with the relevant assets or liabilities. In that case, when control of the subsidiary is lost, the profit or loss will be reclassified from equity.
2. Subsidiaries included in the consolidated financial statements:

Investing Company Name	Subsidiary Name	Business	Ownership %		Note
			Dec 31 2022	Dec 31 2021	
FOCI Fiber Optic Communications, Inc.	FIOPTTEC Inc.	Investment Business	100%	100%	
FIOPTTEC Inc.	Shanghai FOCI Fiber Optic Communications, Inc.	Production and processing of optical fiber passive components, jumpers, tail wire, couplers, testers, switches, optical controllers, optical fiber communication rooms' parts , accessories, related consulting and technical services, and sales of the Company's products	100%	100%	

FIOPTTEC Inc.	Jiangxi FOCI Fiber Optic Communications, Inc.	Production and processing of optical fiber passive components, jumpers, tail wire, couplers, testers, switches, optical controllers, optical fiber communication rooms' parts , accessories, related consulting and technical services, and sales of the Company's products	100%	100%
Shanghai FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	Production and processing of optical fiber passive components, jumpers, tail wire, couplers, testers, switches, optical controllers, optical fiber communication rooms' parts , accessories, related consulting and technical services, and sales of the Company's products	100%	100%

3. Subsidiaries not included in the consolidated financial statements: None.
4. Adjustments for subsidiaries with different balance sheet dates: None.
5. Significant restrictions: None.
6. Subsidiaries that have non-controlling interests that are material to the Company: None.

(4) Foreign Currency Translation

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Company's presentation currency.

1. Foreign currency transactions and balance
  - a. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
  - b. Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
  - c. The translation of the balance of non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated.
  - d. All foreign exchange gains are presented in the statement of comprehensive income within 'other gains and losses'.
2. Translation of foreign operations

The operating results and financial position of all the Company entities, associates and joint agreements that have a functional currency different from the presentation currency are translated into the presentation currency as follows :

- a. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- b. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- c. All resulting exchange differences are recognised in other comprehensive income.

(5) Classification of current and non-current items

1. Assets that meet one of the following criteria are classified as current assets.
  - a. Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - b. Assets held mainly for trading purposes.
  - c. Assets that are expected to be realised within twelve months from the balance sheet date;
  - d. Cash and cash equivalents, excluding those restricted cash and cash equivalents that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.Assets that do not meet the above conditions are classified as non-current assets.
2. Liabilities that meet one of the following criteria are classified as current liabilities.
  - a. Liabilities that are to be settled within the normal operating cycle;
  - b. Liabilities held mainly for trading purposes;
  - c. Liabilities that are to be settled within twelve months from the balance sheet date;
  - d. Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Liabilities that do not meet the above conditions are classified as non-current liabilities.

(6) Cash Equivalent

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

1. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
2. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.
3. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
4. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(8) Financial assets at fair value through other comprehensive income

1. Financial assets at fair value through other comprehensive income comprise equity instruments which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
2. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using settlement date accounting.
3. They are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value. The changes in fair value of equity instruments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(9) Financial assets at amortised cost

1. Financial assets at amortised cost are those that meet all of the following criteria:
  - a. The objective of the Company's business model is achieved by collecting contractual cash flows.
  - b. The assets' contractual cash flows represent solely payments of principal and interest.
2. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
3. Bank deposits with restricted use are classified as financial assets at amortised cost because they do not meet the cash and cash equivalents definition.
4. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and Notes Receivable

1. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods and rendered services.
2. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition, or recognises the impairment provision for the lifetime expected credit losses (the "ECLs") if such credit risk has increased since initial recognition. On the other hand, for accounts receivable that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

Financial assets are derecognised when the Company's contractual rights to receive cash flows from the financial assets expire.

(13) Operating lease (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(14) Inventories

Inventories are stated at the lower of cost and net realisable value, and the cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs, and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated of completion and applicable variable selling expenses.

(15) Investments accounted for using equity method – associates

1. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
2. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
3. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company will recognize all equity changes as "capital surplus" based on the shareholding percentage.
4. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless evidence show an impairment of the asset transferred from the transaction. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
5. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
6. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
7. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall be equal to the amount attributable to owners of the parent in the financial statements prepared on a consolidation basis. Owners' equity in the parent company only financial statements shall be equal to equity attributable to owners of the parent in the financial statements prepared on a consolidation basis.

(16) Property, Plant, and Equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
2. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the

replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

3. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
4. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting policies, changes in accounting estimates and errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	2 to 55 years
Machinery equipment	5 to 10 years
R&D equipment	3 years
Transport equipment	5 years
Office equipment	5 to 10 years
Miscellaneous equipment	5 years

(17) Lease arrangements (lessees) - right-of-use assets/lease liabilities

1. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
2. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:
  - a. Fixed payment, less any lease incentives receivable; and
  - b. Variable lease payments that depend on an index or a rate;
  - c. The amount expected to be paid by the Company under the residual value guarantee;
  - d. The exercise price of the option to purchase, if the lessee is reasonably certain to exercise the option; and
  - e. The penalty payable for the lease termination if the lease period reflects that the lessee will exercise the option to terminate the lease.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

3. At the commencement date, the right-of-use asset is stated at cost comprising the following :
  - a. The amount of the initial measurement of lease liability;
  - b. Any lease payments made at or before the commencement date;
  - c. Any original direct costs incurred; and
  - d. The estimated cost of dismantling, removing, and restoring the subject asset to its location or restoring the subject asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of

the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(18) Investment property

Investment property is recognised at acquisition cost, and the subsequent measurement adopts the cost model. Depreciation is provided on a straight-line basis based on the estimated useful life, which ranges from 8 to 55 years.

(19) Intangible Assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 years.

(20) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(21) Loans

It refers to long-term and short-term funds borrowed from banks. The Company is measured at its fair value, less transaction costs at the time of original recognition. Subsequently, any difference between the price after deducting transaction costs and the redemption value shall be recognized as interest expense in profit or loss during the circulation period using the effective interest method and amortization procedures.

(22) Accounts and notes payable

1. Refers to the debts incurred due to the purchase of raw materials, commodities, or labor services on credit and the business and non-business notes payable.
2. Since discounting has little effect on unpaid short-term accounts payable and bills, the Company measures them based on the original invoice amount.

(23) Convertible corporate bonds payable

The convertible corporate bonds payable issued by the Company are embedded with conversion rights (the holders can choose to convert into ordinary shares of the Company and convert a fixed number of shares for a fixed amount), sell-back rights, and buy-back rights. At the time of initial issuance, the issue price is classified into financial assets, financial liabilities, or equity according to the issuance conditions, and the treatment is as follows:

1. Embedded sell-back rights and buy-back rights: "Financial assets or liabilities measured at fair value through profit or loss" are recorded at the net amount of their fair value at the time of original recognition. After the balance sheet date, according to the current fair value evaluation, the difference is recognized as "financial asset (liability) gain or loss measured at fair value through profit or loss."
2. The main contract of corporate bonds: the difference between the fair value and the redemption value at the time of original recognition is recognized as the premium or discount of corporate bonds payable. The subsequent adoption of the effective interest method and amortization procedures will be recognized in profit or loss during the circulation period as a "finance cost" adjustment item.

3. Embedded conversion rights (in line with the definition of equity): At the time of original recognition, the remaining value less the “financial assets or liabilities at fair value through profit or loss” and “corporate bonds payable” from the issued amount is recorded as “Capital surplus - stock options.” It will not be remeasured in the future.
4. Any directly attributable transaction costs of the issuance shall be allocated to the respective components of liabilities and equity in proportion to the original book value of the components above.
5. When the holder converts, the book liabilities components (including “corporate bonds payable” and “financial assets or liabilities at fair value through profit or loss”) are treated according to the subsequent measurement method of their classification. Then, the “capital surplus - stock option” is added to the book value of the liability components above as the issuance cost of the common stock.

(24) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(25) Non-hedging derivatives and embedded derivatives

1. Non-hedging derivatives are measured at the fair value on the contract signing date at the time of initial recognition. They are listed as financial assets or liabilities measured at fair value through profit or loss, and the gain or loss is recognized in profit or loss for subsequent fair value measurement.
2. For a financial asset hybrid contract of embedded derivatives, the contract terms at the original recognition determine that the overall hybrid instrument is classified as a financial asset at fair value through profit or loss, other comprehensive profit or loss, and financial asset at amortized cost.
3. A non-financial asset hybrid contract of embedded derivatives is judged according to the contract terms at the time of original recognition: how closely the economic characteristics and risks of the embedded derivatives and the contract are related to determine whether to treat them separately. When closely related, the overall hybrid instrument shall be handled according to appropriate criteria by its nature. When it is not closely related, the derivative is separated from the contract and treated as a derivative. The contract is treated according to the appropriate criteria by its nature, or it is designated as a financial liability at fair value through profit or loss at original recognition.

(26) Employee Benefits

1. Short-Term Employee Benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

2. Pension

a. Definite Contribution Plan

For the defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

b. Definite Benefit Plan

- i. Net obligation under a defined benefit plans is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of

government bonds ( at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

- ii. Remeasurements arising on defined benefit plan are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
  - iii. Past service costs are recognised immediately in profit or loss.
- c. Employees' compensation, and directors' remuneration  
Employees' compensation and directors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

#### (27) Income tax

1. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
2. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional income tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
3. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
4. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

#### (28) Share capital

1. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
2. When the Company repurchases issued stocks, the consideration paid, including any directly attributable incremental costs, shall be recognized as a deduction of shareholders' equity at a net amount after tax. When the repurchased shares are reissued, the difference between the consideration received after deducting any directly attributable incremental costs and the impact of income tax and the book value is recognized as an adjustment to shareholders' equity.

#### (29) Dividend distribution

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

#### (30) Revenue recognition

## 1. Sales of goods

- a. The Company manufactures and sells various optical fiber passive components, optical fiber testing instruments, and optical fiber application systems. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- b. As the time interval between the transfer of committed goods or services to the customer and the payment of customer does not exceed one year, the Company does not adjusted the transaction price to reflect the time value of money.
- c. Accounts receivable are recognised when the goods are delivered to the customer because the Company has unconditional rights to the contract price from that point in time. The consideration can be collected from the customer only after time passes.

## 2. Customer Contract Acquisition Cost

Although the incremental costs incurred by the Company to acquire customer contracts are expected to be recoverable, the relevant contract period is under one year. These costs are recognized as expenses when incurred.

### (31) Operation Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Gompany's chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

## 5. Critical accounting judgments, estimates and key sources of assumption uncertainty

The preparation of these consolidated financial statements requires management to make critical judgments in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continuously evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the critical accounting estimates and assumptions uncertainty information is addressed below :

### (1) Critical judgments on the adoption of accounting policies

None.

### (2) Critical accounting estimates and assumptions

Impairment of accounts receivable:

The Company's accounts receivable are measured against allowance losses based on lifetime expected credit losses. When calculating expected credit losses, the Company considers historical experience and judgment to identify factors that affect the future recoverability of accounts receivable. For example: refer to the counterparty's past default record and analyze its current financial situation while considering the time value of money and the reasonable and substantiated information of the forecast of future economic conditions. The judgments and considerations above may significantly affect the measurement of expected losses.

As of Dec 31, 2022, the Company's accounts receivable book value was \$331,400.

## 6. Description of Important Accounting Items

### (1) Cash and Cash Equivalents

	Dec 31, 2022	Dec 31, 2021
Cash on hand	\$ 410	\$ 210
Checking accounts and demand deposits	331,846	191,545
Time deposits	229,000	421,805
Total	<u>\$ 561,256</u>	<u>\$ 613,560</u>

- The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- The Company's restricted cash and cash equivalents are classified as "financial assets measured at amortized cost - non-current." Please refer to Notes 6 (4) and 8 for details.

(2) Financial assets at fair value through profit or loss

	Dec 31, 2022	Dec 31, 2021
Current Items:		
Financial assets mandatorily at fair value through profit or loss		
Listed stocks	\$ 237,460	\$ -
Evaluation adjustment	( 74,660)	-
	<u>\$ 162,800</u>	<u>\$ -</u>
Financial assets held for trading		
Derivatives	(\$ 46)	(\$ 56)
Evaluation adjustment	46	88
	<u>\$ -</u>	<u>\$ 32</u>

- The details of recognized financial assets measured at fair value through profit or loss are as follows:

Item	2022	2021
Financial assets mandatorily at fair value through profit or loss		
Equity Instrument	(\$ 74,660)	\$ 36,622
Financial assets held for trading		
Derivatives	(\$ 30)	\$ 39

- Please refer to Note 12 (2) and (3) for relevant price risk information and fair value.
- Please refer to Note 6 (14) for the derivatives listed as "financial assets at fair value through profit or loss" in the Company's book.

(3) Financial assets at fair value through other comprehensive income

Item	Dec 31, 2022	Dec 31, 2021
Non-current Items:		
Equity Instrument		
Emerging stock	\$69,911	\$69,911
Unlisted stocks	259,144	189,142
Evaluation adjustment	( 136,790)	( 131,111)
Total	<u>\$ 192,265</u>	<u>\$ 127,942</u>

1. The Company chooses to classify equity instruments that are strategic investments as financial assets measured at fair value through other comprehensive income. The fair values of these investments on Dec 31, 2022, and 2021 were \$192,265 and \$127,942, respectively.
2. The Company invested in BKS Tec Corp. and acquired a seat on the board of directors in July 2021. After assessing that the Company significantly influences the company, it is remeasured at fair value and transferred to an investment using the equity method. The difference of \$3,300 between the fair and book values was recognized in other comprehensive profit or loss. The accumulated appraisal loss was transferred to retained earnings of \$8,580 due to delisting.
3. The details of the recognised financial assets measured at fair value through other comprehensive income are as follows:

Item	2022	2021
Equity instruments at fair value through other comprehensive income		
Changes in fair value recognised in other comprehensive income	(\$ 5,680)	(\$ 50,044)
Dividend income recognised in profit or loss held at the end of the current period	\$ 1,095	\$ 1,177
Accumulated gains or losses transferred to retained earnings due to delisting	\$ -	(\$ 8,580)

(4) Financial assets at amortised cost

Item	Dec 31, 2022	Dec 31, 2021
Non-current Item:		
Time Deposit	\$ 2,939	\$ 2,997

1. The details of financial assets recognized in profit or loss at cost after amortization are as follows:

Item	2022	2021
Interest Income	\$ 20	\$ 23

2. Without considering the collateral held or other credit enhancements, it is the most representative of the financial assets held by the Company at amortized cost. On Dec 31, 2022, and 2021, the maximum credit risk exposure amount was \$2,939 and \$2,997, respectively.
3. Please refer to Note 12 (2) for information on the credit risk of financial assets measured at cost after amortization. The trading objects of the Company's investment certificates of deposit are financial institutions with good credit quality, and the possibility of default is expected to be very low.
4. Please refer to Note 8 for information on guarantees provided by the Company in terms of financial assets measured at amortized cost - non-current.

(5) Note and Account Receivable

	Dec 31, 2022	Dec 31, 2021
Notes Receivable	\$92	\$1,027
Accounts Receivable - Customers	332,507	468,719
Accounts Receivable - from related parties	789	786
	<u>333,388</u>	<u>470,532</u>
Less: Allowance for bad debts	(1,896)	(4,037)
	<u>\$331,492</u>	<u>\$466,495</u>

1. The maturity analysis of accounts receivable and notes receivable is as follows:

	Dec 31, 2022		Dec 31, 2021	
	Accounts Receivable	Notes Receivable	Accounts Receivable	Notes Receivable
Non overdue	\$287,909	\$ 92	\$ 423,845	\$ 1,027
Under 30 days	39,308	-	22,365	-
31-90 days	2,535	-	20,845	-
91-180 days	3,544	-	195	-
Over 181 days	-	-	2,255	-
	<u>\$ 333,296</u>	<u>\$ 92</u>	<u>\$ 469,505</u>	<u>\$ 1,027</u>

The above is a maturity analysis based on the number of days overdue.

2. The accounts receivable and notes receivable balances on Dec 31, 2022, and 2021 were all due to customer contracts. In addition, the receivable balance of the customer contract on Jan 1, 2021, was \$389,883.
3. Without considering the collateral held or other credit enhancements, the maximum amount of exposure that best represents the Company's notes receivable credit risk on Dec 31, 2022, and 2021 is \$92 and \$1,027, respectively. The maximum risk exposure that best represents the credit risk of the Company's accounts receivable on Dec 31, 2022, and 2021 was \$332,296 and \$469,505, respectively.
4. For credit risk information on notes and accounts receivable, please refer to Note 12 (2).

(6) Inventories

	Dec 31, 2022	Dec 31, 2021
Finished goods	\$275,660	\$247,187
Work in process	6,886	16,521
Raw materials	115,375	152,088
Subtotal	<u>397,921</u>	<u>415,796</u>
Allowance to reduce inventory to market	(55,362)	( 52,638)
Total	<u>\$342,559</u>	<u>\$ 363,158</u>

Inventory Cost Recognized as Expense and Loss by the Company in the Current Period:

	2022	2021
Cost of goods sold	\$1,301,698	\$ 1,507,739
Loss on market value decline of inventories	2,149	21,469
Scrap loss of Inventories	17,924	2,385
Lease Cost	1,758	2,030
	<u>\$1,323,529</u>	<u>\$1,533,623</u>

(7) Investments by equity method

	Dec 31, 2022	Dec 31, 2021
BKS TEC Corp.	<u>\$14,673</u>	<u>\$19,410</u>

Since the Company acquired a seat on the board of directors of BKS TEC Corp. in July 2021, it is considered to have a significant impact.

(8) Property, plant, and equipment

	2022							
	Buildings and Structures	Mechanical Equipment	R&D Equipment	Transportation Equipment	Office Equipment	Miscellaneous Equipment	Equipment Under installation and Construction in progress	Total
<u>Cost</u>								
Jan 1	\$479,403	\$345,722	\$33,991	\$2,231	\$8,180	\$6,502	\$-	\$876,029
Current Period Increase	961	6,663	10,726	619	179	2,444	-	21,592
Current Period Disposal	(91,971)	(28,975)	(27,284)	(365)	(1,092)	(1,105)	-	(150,792)
Current Period Reclassification	17,553	(31,109)	59,752	-	-	-	-	46,196
Conversion Adjustment	2,079	1,929	-	28	88	107	-	4,231
Dec 31	408,025	294,230	77,185	2,513	7,355	7,948	-	797,256
<u>Accumulated Depreciation And Impairment</u>								
Jan 1	\$222,127	\$166,617	\$25,966	\$1,405	\$5,838	\$3,145	\$-	\$425,098
Current Period Depreciation Expense	18,278	39,998	13,077	231	676	1,154	-	73,414
Current Period Disposal	(31,063)	(20,871)	(27,284)	(329)	(1,013)	(992)	-	(81,552)
Reversal of Impairment Loss	(19,242)	-	-	-	-	-	-	(19,242)
Current Period Reclassification	7,405	(16,883)	29,796	-	-	-	-	20,318
Conversion Adjustment	1,251	905	-	20	73	53	-	2,302
Dec 31	198,756	169,766	41,555	1,327	5,574	3360	-	420,338
Net Amount	\$209,269	\$124,464	\$35,630	\$1,186	\$1,781	\$4,588	\$-	\$376,918

## 2021

	Buildings and Structures	Mechanical Equipment	R&D Equipment	Transportation Equipment	Office Equipment	Miscellaneous Equipment	Equipment Under installation and Construction in progress	Total
<u>Cost</u>								
Jan 1	\$469,607	\$338,982	\$35,607	\$1,434	\$8,125	\$5,247	\$3,075	\$862,077
Current Period Increase	11,556	9,122	1,968	464	36	1,733	-	24,879
Current Period Disposal	(1,265)	(4,624)	(3,584)	(635)	(21)	(65)	-	(10,194)
Current Period Reclassification	(1,326)	1,407	-	959	-	(458)	(3,075)	(2,493)
Conversion Adjustment	831	835	-	9	40	45	-	1,760
Dec 31	<u>479,403</u>	<u>345,722</u>	<u>33,991</u>	<u>2,231</u>	<u>8,180</u>	<u>6,502</u>	<u>-</u>	<u>876,029</u>
<u>Accumulated Depreciation And Impairment</u>								
Jan 1	181,665	123,460	18,014	932	4,682	2,422	-	331,175
Current Period Depreciation Expense	22,478	46,177	11,536	174	1,144	922	-	82,431
Impairment Loss	18,817	-	-	-	-	-	-	18,817
Current Period Disposal	(682)	(3,518)	(3,584)	(571)	(16)	(77)	-	(8,448)
Current Period Reclassification	(537)	143	-	863	-	(143)	-	326
Conversion Adjustment	386	355	-	7	28	21	-	797
Dec 31	<u>222,127</u>	<u>166,617</u>	<u>25,966</u>	<u>1,405</u>	<u>5,838</u>	<u>3,145</u>	<u>-</u>	<u>425,098</u>
Net Amount	<u>\$257,276</u>	<u>\$179,105</u>	<u>\$8,025</u>	<u>\$826</u>	<u>\$2,342</u>	<u>\$3,357</u>	<u>\$-</u>	<u>\$450,931</u>

1. The major components of the Company's buildings include the factory, electromechanical power equipment and project, and clean rooms. Depreciation shall be accrued according to its service life of 55 years, 10 years, and 10 years, respectively.
2. The Company's equipment is for self-use and not leased to others.

(9) Leasing arrangements – lessee

1. The underlying assets leased by the Company include land, buildings, official vehicles, and multi-functional business machines. The lease contract period usually ranges from 1 to 20 years.
2. The book value of the right-of-use asset and the recognized depreciation expenses are as follows:

	12/31/2022	12/31/2021
	Book Value	Book Value
Land	\$75,019	\$94,754
Building	18,243	34,558
Transportation equipment (official vehicles)	3,179	1,015
R&D Equipment	829	1,326
	<u>\$97,270</u>	<u>\$131,653</u>

	2022	2021
	Depreciation Expense	Depreciation Expense
Land	\$2,547	\$2,785
Building	16,914	12,756
Transportation equipment (official vehicles)	1,448	1,547
R&D Equipment	498	166
	<u>\$21,407</u>	<u>\$17,254</u>

3. The increase in the Company's right-of-use assets in 2022 and 2021 was \$3,613 and \$28,155, respectively.
4. The profit and loss items related to the lease contract are as follows:

	2022	2021
Items affecting current profit and loss		
Interest expense on the lease liability	\$2,382	\$2,854
Expense for short-term lease contracts	631	1,420
Expense for the low-value assets lease	339	282
Total	<u>\$3,352</u>	<u>\$4,556</u>

5. The Company's total lease cash outflows in 2022 and 2021 was \$24,587 and \$19,884, respectively.

(10) Leasing arrangements – lessor

1. The underlying assets leased by the Company include buildings. The period of the lease contract usually ranges from 1 to 3 years. The lease contract is negotiated individually and contains various terms and conditions. To secure the leased assets, the lessee is usually required not to use the leased asset as a loan guarantee, or the lessee must provide a certain amount of security deposit.
2. The Company recognized rental income of \$10,514 and \$12,056 based on operating lease contracts in 2022 and 2021, respectively; none belonged to variable lease payments.
3. The due date analysis of the Company's lease payments under operating leases is as follows:

	12/31/2022	12/31/2021
Under 1 year	\$10,182	\$5,387
1 to 5 years	13,988	-
Total	<u>\$24,170</u>	<u>\$5,387</u>

(11) Investment property

	12/31/2022	12/31/2021
Buildings and structures		
Cost		
Beginning balance	\$111,989	\$110,663
Current period reclassification	(17,553)	1,326
Ending balance	<u>94,436</u>	<u>111,989</u>
Accumulated depreciation		
Beginning balance	46,555	43,988
Current period increase	1,758	2,030
Current period reclassification	(7,405)	537
Ending Balance	<u>40,908</u>	<u>46,555</u>
Cumulative Impairment		
Beginning balance	-	17,162
Current period reversal	-	(17,162)
Ending Balance	<u>-</u>	<u>-</u>
Ending Balance	<u>\$53,528</u>	<u>\$65,434</u>

1. Rental income and direct operating expenses of investment property:

	2022	2021
Rental income of investment property	<u>\$10,514</u>	<u>\$12,056</u>
Direct operating expenses incurred by investment property that generates rental income in the current period	<u>\$1,758</u>	<u>\$2,030</u>

2. The fair values of the investment property held by the Company on Dec 31, 2022, and 2021 was \$92,956 and \$72,013, respectively. The evaluation uses the income method, which belongs to the third fair value level. The main assumptions are as follows:

	12/31/2022	12/31/2021
Discount Rate	<u>2.22%</u>	<u>1.595%</u>

(12) Other non-current assets

	12/31/2022	12/31/2021
Equipment Prepayment	\$3,420	\$13,686
Refundable Deposits	5,667	6,213
Other Assets	2,288	1,789
	<u>\$11,375</u>	<u>\$21,688</u>

(13) Short-Term Loans

Loan Nature	12/31/2022	Interest Rate Interval	Collateral
Bank Credit Loan	\$180,000	1.58%-1.7%	None
Loan Nature	12/31/2021	Interest Rate Interval	Collateral
Bank Credit Loan	\$20,000	0.86%	None

(14) Corporate Bonds Payable

	12/31/2022	12/31/2021
Corporate bonds payable	\$ 6,900	\$ 8,400
Less: Discount of corporate bonds payable	(71)	(256)
	<u>6,829</u>	<u>8,144</u>
Less: Corporate bonds with sell-back rights within one year	(6,829)	(8,144)
	<u>\$ -</u>	<u>\$ -</u>

1. The conditions for the issuance of the second domestic unsecured convertible corporate bond are as follows:
  - a. The Company raised and issued the second domestic non-guaranteed convertible corporate bond approved by the competent authority. The total issuance amount is \$400,000, 0% coupon rate, 5 years from Sept 6, 2018, to Sept 6, 2023. When the convertible corporate bonds mature, they will be repaid in cash in one lump sum according to the face value of the bonds. The convertible corporate bonds were listed and traded at the TPEX on Sept 6, 2018.
  - b. For the convertible corporate bondholders, from the day after the three months expiration after the issuance date to the maturity date, except for the transfer suspension period as required by regulations or laws, the Company may request to convert into common stock at any time. The rights and obligations of the converted common stock are the same as those of the initially issued common stock.
  - c. The converted corporate bonds conversion price is NT\$26.8 per share. However, after the Company's convertible corporate bonds issuance, if the Company encounters the following circumstances, the conversion price will be adjusted according to the formula stipulated in terms of issuance.
    - i. Increase in the number of shares of common stock issued (or privately placed).
    - ii. The common stock cash dividends ratio to each share's current price exceeds 1.5%.
    - iii. Reissue (or privately place) various securities with common share conversion rights or stock warrants at prices lower than the current price per share.

- iv. Decrease in common stock due to capital reduction, not due to cancellation of treasury stock.

On Jul 2, 2022, and Jul 3, 2021, the Company adjusted the conversion price to NT\$22.7 and NT\$24.1 per share, respectively, because the cash dividend of common stock accounted for more than 1.5% of the market price per share.

- d. From the day after the convertible corporate bonds issuance three months to the 40th day before the expiration of the issuance period, suppose the closing price of the Company’s common stock exceeds the current conversion price by 30% (inclusive) for 30 consecutive business days, or the outstanding balance is less than 10% of the original issued total face value. In that case, the Company will implement the call-back request. The principal convertible corporate bonds of the bondholder shall be recovered in cash at face value of the bonds within five business days after the bond recovery base date.
  - e. The dates on which the convertible corporate bonds have been issued for two, three, and four years are the benchmark dates for the convertible corporate bondholders to sell back the convertible corporate bonds in advance. The Company shall notify the bondholders 40 days before the sell-back base date that the Company accepts the sell-back request and shall redeem the convertible corporate bonds in cash within five business days after the sell-back base date.
  - f. According to the conversion regulations, all the convertible corporate bonds withdrawn (including repurchased by TPEX), repaid, or converted by the Company will be canceled and cannot be resold or issued. The conversion right attached to it shall also be canceled.
  - g. As of Dec 31, 2022, the convertible corporate bonds with a face value of \$393,100 had been converted into 14,888,461 shares.
2. When the Company issues convertible corporate bonds, it separates the conversion rights of an equity nature from the constituent elements of each liability under the International Accounting Standard No. 32 “Financial Instruments: Expression.” The account entry “capital surplus - stock options” is \$27,490. The buy-back and sell-back rights are embedded under IFRS 9 “Financial Instruments.” Because it is closely related to the economic characteristics and risks of the main contract debt commodity, it is recorded as “financial assets or liabilities at fair value through profit or loss” on a net basis. The effective interest rate of the contract debt after separation is 1.84%.

(15) Other Payables

	12/31/2022	12/31/2021
Salary and Bonus Payable	\$32,251	\$57,865
Remuneration payable to employees and directors	7,000	23,095
Equipment Payable	5,096	554
Other	22,832	22,425
	<u>\$67,179</u>	<u>\$103,939</u>

(16) Pension

- 1. (1) According to the “Labor Standards Act” provisions, the Company has established a retirement method with defined benefits. It applies to the service years of all regular employees before the implementation of the “Labor Pension Act” on Jul 1, 2005, and the following service years of employees who continue to apply the Labor Standards Act after implementing the “Labor Pension Act.” For employees who meet the retirement requirements, the pension payment is calculated based on the service years and the average salary of the six months before retirement. Two bases are awarded for each full service year within 15 years (inclusive), and one base is given for each full year of service exceeding 15 years, but the cumulative maximum is limited

to 45 bases. The Company allocates 2% of the total salary to the retirement fund monthly and deposits it in a special account under the Labor Retirement Reserve Supervisory Committee in the Bank of Taiwan. In addition, before the end of each year, the Company estimates the balance of the special account for labor retirement reserves referred to in the preceding paragraph. Suppose the balance is insufficient to pay the estimated amount of pension calculated above for employees eligible for retirement in the next year. In that case, the Company will allocate the difference before the end of March next year.

- (2) In 2022 and 2021, the Company recognized pension costs according to the above pension method were \$0 and \$4, respectively.
2. (1) Since Jul 1, 2005, the Company has formulated a retirement method with a certain contribution under the “Labor Pension Act,” which applies to domestic employees. The Company and its domestic subsidiaries choose to apply the part of the labor pension system stipulated in the “Labor Pension Act” for employees and contribute 6% of their salary to the employee’s personal account at the Bureau of Labor Insurance every month. The employee’s pension is paid monthly or one-time, according to the employee’s personal account and accumulated income.
- (2) Subsidiaries in Shanghai, Jiangxi, and Zhongshan shall allocate pension insurance funds according to a certain percentage of the total salary of local employees under the pension insurance system stipulated by the government of the People’s Republic of China. In 2022 and 2021, the appropriation ratios was 15%-20% and 14%-16%, respectively. The retirement pension of each employee is managed and arranged by the government, and the Company has no further obligations other than the monthly appropriation.
- (3) In 2022 and 2021, the Company recognized pension cost according to the above pension method was \$19,631 and \$20,574, respectively.

#### (17) Share Capital

On Dec 31, 2022, the Company’s registered capital was \$1,100,000 divided into 110,000,000 shares (including 6,000,000 shares that employee stock option certificates can subscribe), and the paid-in capital was \$883,366, with a par value of \$10 (in dollars) per share. Payments for the issued shares of the Company have been received.

	2022 (1,000 shares)	2021 (1,000 shares)
Jan 1	88,273	87,074
Conversion of convertible corporate bonds into common stock	64	1,199
Dec 31	<u>88,337</u>	<u>88,273</u>

#### (18) Capital surplus

Pursuant to the R.O.C. Company Law, capital reserve arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital reserve to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve shall not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2022						
	Share Premium	Stock option	Treasury stock	Recognition of all changes in equity of subsidiaries	Disposal of interests in fixed assets and others	Total	
Jan 1	\$552,146	\$577	\$-	\$1,775	\$258	\$554,756	
Issuing company converts corporate bonds	928	( 103)	-	-	-	825	
Dec 31	<u>\$ 553,074</u>	<u>\$ 474</u>	<u>\$-</u>	<u>\$ 1,775</u>	<u>\$ 258</u>	<u>\$ 555,581</u>	

	2021					
	Share Premium	Stock option	Treasury stock	Recognition of all changes in equity of subsidiaries	Disposal of interests in fixed assets and others	Total
Jan 1	\$558,838	\$2,563	\$21,997	\$1,775	\$258	\$585,431
Issuing company converts corporate bonds	17,852	(1,986)	-	-	-	15,866
Cancellation of treasury shares	(24,544)	-	(21,977)	-	-	(46,541)
Dec 31	\$552,146	\$577	\$-	\$1,775	\$258	\$554,756

(19) Retained earnings

1. According to the Company's articles of Incorporation, if there is a surplus in the final annual accounts, it shall be distributed in the following order:
  - (1) Paying tax.
  - (2) Making up losses for preceding years.
  - (3) Setting aside a legal reserve at 10% of the earnings (unless the accumulated amount of the legal reserve has reached the total authorized capital of the Company).
  - (4) Setting aside or reversing a special reserve according to relevant regulations.
  - (5) If there is still a surplus, together with the accumulated undistributed surplus, the board of directors shall prepare a earnings distribution proposal and submit it to the shareholders' meeting for a resolution on distributing dividends to shareholders.
2. The Company's board of directors shall have more than two-thirds of the directors present and a resolution approved by more than half of the directors present. All or part of the dividends, bonuses, Legal reserve, or capital reserve shall be distributed in cash and reported to the shareholders' meeting.
3. The Company's dividend policy is determined under the Company Act and the Company's Articles of Incorporation and based on factors such as the Company's capital and financial structure, operating conditions, earnings, and the nature and cycle of the industry it belongs to. Cash dividends are preferred in the distribution of surplus and may also be distributed in stock dividends. The distribution ratio of stock dividends shall not be higher than 50% of the total dividends for the current year in principle.
4. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
5. The provision as legal reserve shall be appropriated until its balance reaches the total paid-in share capital of the Company. The provision as legal reserve can be used to make up for losses. When the Company has no losses, the portion of the provision as legal reserve exceeding 25% of the total paid-in share capital may be allocated to share capital and distributed in cash.
6. Approved by the Board of Directors on Feb 25, 2021, and the Shareholders' Meeting on Jul 5, 2021, the 2020 annual earning distribution proposal includes a provision as legal reserve of \$7,004, a special surplus reserve of \$50,976, and a cash dividend of \$87,074.
7. Approved by the Board of Directors on Feb 24, 2022, and the Shareholders' meeting on May 27, 2022, the 2021 earning distribution proposal included a provision as legal reserve of \$15,326, a special reserve of \$38,309, and a cash dividend of \$141,304 at NT\$1.6 per share.

(20) Other Equity Items

	2022		
	Unrealized		
	Foreign Currency Conversion	Evaluated profit and loss	Total
Jan 1	(\$39,475)	(\$131,111)	(\$170,586)
Evaluation adjustment	-	( 5,680)	( 5,680)
Foreign currency exchange differences			
– Company			
– Company	10,049	-	10,049
– Company Tax	( 2,010)	-	( 2,010)
Dec 31	<u>(\$ 31,436)</u>	<u>(\$ 136,791)</u>	<u>(\$ 168,227)</u>
	2021		
	Unrealized		
	Foreign Currency Conversion	Evaluated profit and loss	Total
Jan 1	(\$ 42,631)	(\$ 89,647)	(\$ 132,278)
Evaluation adjustment	-	( 50,044)	( 50,044)
Disposal of financial assets at fair value through other comprehensive income	-	8,580	8,580
Foreign currency exchange differences			
– Company			
– Company	3,944	-	3,944
– Company Tax	( 788)	-	( 788)
Dec 31	<u>(\$ 39,475)</u>	<u>(\$ 131,111)</u>	<u>(\$ 170,586)</u>

(21) Operating Income

	2022	2021
Customer contract revenue	\$ 1,610,145	\$ 1,976,213
Other - lease income	10,514	12,056
Total	<u>\$ 1,620,659</u>	<u>\$ 1,988,269</u>

1. Details of Customer Contract Revenue

The Company's revenue is derived from goods transferred at a certain point in time, and revenue can be broken down into the following major product lines and geographic regions:

2022	Taiwan	Mainland China	America	Asia	Other	Total
External Customer Contract Revenue	\$ 306,953	\$ 164,275	\$ 928,604	\$ 133,732	\$ 76,581	\$ 1,610,145
2021	Taiwan	Mainland China	America	Asia	Other	Total
External Customer Contract Revenue	\$ 261,295	\$ 146,335	\$ 1,379,302	\$ 165,400	\$ 23,881	\$ 1,976,213

2. Contract liabilities

The Company recognizes contract liabilities related to customer contract revenue as follows:

	<u>12/31/2022</u>	<u>12/31/2021</u>	<u>1/1/2021</u>
Product sales contract	\$ 6,089	\$ 3,442	\$ 1,990

3. Beginning contract liabilities recognized as income in the current period

	<u>2022</u>	<u>2021</u>
Product Sales Contract	\$ 2,793	\$ 1,117

(22) Interest Income

	<u>2022</u>	<u>2021</u>
Bank deposit interest	\$ 1,839	\$ 791
Interest income from financial assets measured at amortized cost	20	23
Other interest income	-	7
	<u>\$ 1,859</u>	<u>\$ 821</u>

(23) Other Income

	<u>2022</u>	<u>2021</u>
Dividend income	\$ 1,095	\$ 1,177
Other income - other	5,782	11,400
	<u>\$ 6,877</u>	<u>\$ 12,577</u>

(24) Other Gain and Loss

	<u>2022</u>	<u>2021</u>
Disposal of property, plant, and equipment loss	(\$ 18,414)	(\$ 530)
Foreign currency exchange gain (loss)	50,896	( 5,550)
Gain (loss) in financial assets and liabilities at fair value through profit or loss	( 74,690)	36,661
Non-financial asset (impairment) reversal interest	19,242	( 1,655)
Other gain and loss	( 1,486)	( 4,869)
	<u>(\$ 24,452)</u>	<u>\$ 24,057</u>

(25) Financial Cost

	<u>2022</u>	<u>2021</u>
Interest expense	\$ 4,014	\$ 4,158

(26) Additional information on the nature of fees

	2022	2021
Employee benefit expense	\$ 362,796	\$ 403,757
Depreciation expense	96,579	101,715
Amortization expense	570	304
	<u>\$ 459,945</u>	<u>\$ 505,776</u>

(27) Employee Benefit Expense

	2022	2021
Salary expense	\$ 305,949	\$ 339,428
Labor health insurance	20,546	21,305
Pension expense	19,631	20,578
Other employment expense	16,670	22,446
	<u>\$ 362,796</u>	<u>\$ 403,757</u>

1. According to the Company's articles of association, If the Company makes a profit in the year, 5% to 15% should be appropriated as employee remuneration and no more than 5% as director and supervisor remuneration. However, if the Company still has accumulated losses, it shall reserve a portion of its earning to offset the losses first.
2. The Company's estimated employee's remuneration in 2022 and 2021 is \$5,600 and \$16,874, respectively. The estimated remuneration for directors is \$1,400 and \$6,221, respectively, and the amounts above are included in the account of salary expenses.

The difference between the \$17,000 employee's remuneration and \$5,500 remuneration for directors determined by the board of directors in 2021 and the \$16,874 employee's remuneration and \$6,221 remuneration for directors is \$595 in total. The differences were adjusted for profit and loss in 2022. Information about employee and director remuneration approved by the Company's board of directors can be inquired at the MOPS.

(28) Income Tax

1. Income tax expenses
  - a. Components of income tax expense:

	2022	2021
Current income tax:		
Income tax from current income	\$ 46,076	\$ 58,320
Previous year income tax (over) underestimation	(7,233)	2,696
Total current income tax	<u>38,843</u>	<u>61,016</u>
Deferred income tax:		
Origin and reversal of temporary differences	(13,188)	9,902
Total deferred income tax	<u>(13,188)</u>	<u>9,902</u>
Income tax expense	<u>\$ 25,655</u>	<u>\$ 70,918</u>

b. Income tax related to other comprehensive income:

	2022	2021
Conversion difference of foreign operating institutions	\$ 2,010	\$ 788

c. Income tax amount directly debited or credited to equity: None.

2. Relationship between income tax expense and accounting profit:

	2022	2021
Income tax calculated on the net profit before tax by the statutory tax rate	\$ 29,631	\$ 66,288
Items excluded by the tax law	8,549	( 6,482)
Deferred income tax (liabilities) assets not recognized for temporary differences	5,792	5,765
Income tax effect of investment deduction	( 4,630)	-
Changes in the realizability evaluation of deferred tax assets	( 6,454)	2,649
Previous year income tax (over) understatement	( 7,233)	2,698
Income tax expense	\$ 25,655	\$ 70,918

3. Deferred income tax assets from temporary differences are as follows:

	2022			
	Jan 1	Recognized in profit or loss	Exchange Difference	Dec 31
Deferred Income Tax Assets:				
Temporary differences:				
Allowance for inventories	\$ 3,796	(\$ 339)	\$ -	\$ 3,457
Impairment losses				
Convertible corporate bonds	1,169	29	-	1,198
Unrealized impairment loss	121	-	-	121
Other	1,392	3,043	-	4,435
Subtotal	6,478	2,733	-	9,211
Deferred income tax liabilities:				
Temporary differences:				
Unrealized foreign currency exchange gain	( 177)	177	-	-
Other	( 11,951)	10,278	( 2,010)	( 3,683)
Subtotal	( 12,128)	10,455	( 2,010)	( 3,683)
Total	(\$ 5,650)	\$ 13,188	(\$ 2,010)	\$ 5,528

	2021			
	Jan 1	Recognized in profit or loss	Exchange Difference	Dec 31
Deferred Income Tax Assets:				
Temporary differences:				
Allowance for inventories				
Impairment losses	\$ 2,304	\$ 1,492	\$ -	\$ 3,796
Convertible corporate bonds	1,061	108	-	1,169
Unrealized impairment loss	3,554	( 3,433)	-	121
Other	1,823	( 431)	-	1,392
Subtotal	8,742	( 2,264)	-	6,478
Deferred income tax liabilities:				
Temporary differences:				
Unrealized foreign currency exchange gain	( 179)	2	-	( 177)
Other	( 3,523)	( 7,640)	( 788)	( 11,951)
Subtotal	( 3,702)	( 7,638)	( 788)	( 12,128)
Total	\$ 5,040	(\$ 9,902)	(\$ 788)	(\$ 5,650)

4. The Company's profit-seeking business income tax has been approved by the taxation agency until 2020.

(29) Earnings Per Share

	2022		
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	EPS (\$NT)
<u>Basic EPS</u>			
Attributable to common stockholders of the parent company in the current period net income	\$ 47,021	88,319	\$ 0.53
<u>Diluted EPS</u>			
Attributable to common stockholders of the parent company in the current period net income	47,021	88,319	
Effect of dilutive potential common stock			
employee remuneration	-	323	
convertible corporate bonds	62	350	
Net income attributable to common stockholders of the parent company in the current period plus potential common stock impact	\$ 47,083	88,992	\$ 0.53

	2021		
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	EPS (\$NT)
<u>Basic EPS</u>			
Attributable to common stockholders of the parent company in the current period net income	\$ 201,644	87,271	\$ 2.31
<u>Diluted EPS</u>			
Attributable to common stockholders of the parent company in the current period net income	201,644	87,271	
Effect of dilutive potential common stock employee remuneration	-	560	
convertible corporate bonds	511	1,351	
Net income attributable to common stockholders of the parent company in the current period plus potential common stock impact	\$ 202,155	89,182	\$ 2.27

(30) Supplementary cash flow information

Investment activities with only partial cash payments:

	2022	2021
Acquisition of property, plant, and equipment	\$ 21,592	\$ 24,879
Add: Payable on equipment at beginning balance	554	4,225
Less: Payable on equipment at ending balance	( 5,096)	( 554)
Current cash payment	\$ 17,050	\$ 28,550

(31) Changes in liabilities from financing activities

	2022			
	Short-Term Loan	Corporate bonds payable (under 1 year included)	Lease Liability	Total liabilities from financing activities
Jan 1	\$ 20,000	\$ 8,144	\$ 117,044	\$ 145,188
Changes in financing cash flow interest payments	160,000	-	( 21,235)	138,765
Amortization of interest expense	-	-	( 2,382)	( 2,382)
Other non-cash changes	-	148	2,382	2,530
Effect of exchange rate changes	-	( 1,462)	3,613	2,151
Dec 31	\$ 180,000	\$ 6,830	\$ 99,827	\$ 286,657

	2021			
	Short-Term Loan	Corporate bonds payable (under 1 year included)	Lease Liability	Total liabilities from financing activities
Jan 1	\$ 60,000	\$ 35,505	\$ 104,322	\$ 199,827
Changes in financing cash flow	( 40,000)	-	( 15,328)	( 55,328)
interest payments	-	-	( 2,854)	( 2,854)
Amortization of interest expense	-	590	2,854	3,444
Other non-cash changes	-	( 27,951)	28,155	204
Effect of exchange rate changes	-	-	( 105)	( 105)
Dec 31	<u>\$ 20,000</u>	<u>\$ 8,144</u>	<u>\$ 117,044</u>	<u>\$ 145,188</u>

## 7. Related party transaction

### (1) The name and relationship of related parties

Name	Relationship with the Company
BKS TEC Corp.	Associate

### (2) Significant transactions with related parties

#### 1. Operating Income

	2022	2021
Sales of Goods		
BKS TEC Corp.	<u>\$ 3,983</u>	<u>\$ 1,590</u>

#### 2. Receivables from related parties

	12/31/2022	12/31/2021
Accounts Receivable		
BKS TEC Corp.	<u>\$ 789</u>	<u>\$ 786</u>
Other Receivables		
BKS TEC Corp.	<u>\$ -</u>	<u>\$ 15</u>

Receivables from related parties are mainly from sales of goods. The receivables are unsecured and interest-bearing.

#### 3. Payables to related parties

	12/31/2022	12/31/2021
Other Payables		
BKS TEC Corp.	<u>\$ 14</u>	<u>\$ -</u>

The payables to related parties are mainly from purchase transactions, and the payables do not bear interest.

### (3) Salary Information of Main Management Level

	2022	2021
Short-term employee benefits	\$ 21,859	\$ 24,928
Post-employment benefits	539	583
	<u>\$ 22,398</u>	<u>\$ 25,511</u>

### 8. Pledged Assets

The details of the guarantee provided by the Company's assets are as follows:

Assets	Book Value		Purpose
	12/31/2022	12/31/2021	
Time deposit (Note)	\$ 2,939	\$ 2,997	Land Lease Pledge

Note: "Financial assets at amortized cost - non-current" are listed in the table.

### 9. Significant Commitments and Contingencies

None.

### 10. Significant Loss From Disaster

None.

### 11. Significant Subsequent Events

On Feb 23, 2023, the resolution of the board of directors passed:

1. According to the provisions of the Company's articles of Incorporation, the 2022 annual earning distribution plan was drafted. The provision as legal reserve of \$4,702 and the special reserve of \$2,359 were allocated, and cash dividends of \$44,168 were distributed at NT\$0.5 per share.
2. According to the provisions of the Company's Articles of Incorporation, the director's remuneration of \$1,400 and the employee's remuneration of \$5,600 would be distributed in cash.

### 12. Other

#### (1) Capital Management

The Company conducts capital management to ensure it can continue operating to maximize shareholder returns. There has been no significant change in the Company's overall strategy.

The Company's capital structure consists of the Company's net debt (i.e., debts less cash) and equity (i.e., share capital, capital surplus, retained earnings, and other equity items).

The Company is not subject to other external capital requirements.

(2) Financial Instruments

1. Types of Financial Instruments

	<u>12/31/2022</u>	<u>12/31/2021</u>
Financial assets		
Financial assets at fair value through profit or loss		
Mandatory financial assets at fair value through profit or loss	\$ 162,800	\$-
Financial assets held for trading	-	32
Financial assets at fair value through other comprehensive income		
Designated equity instrument investment	192,265	127,942
Financial assets/Loans and receivables measured at amortized cost		
Cash and cash equivalents	561,256	613,560
Notes receivable	92	1,027
Accounts receivable (including related parties)	331,400	465,468
Other receivables	11,189	39,241
Financial assets measured at amortized cost	2,939	2,997
Refundable deposits	5,667	6,213
	<u>\$ 1,267,608</u>	<u>\$ 1,256,480</u>
	<u>12/31/2022</u>	<u>12/31/2021</u>
Financial liabilities		
Financial liabilities measured at amortized cost		
Short-term loan	\$ 180,000	\$ 20,000
Notes payable	1,546	1,903
Accounts payable	131,190	262,791
Other payable	67,179	103,939
Corporate bonds payable	6,829	8,144
Deposit Received	1,714	2,086
	<u>\$ 388,458</u>	<u>\$ 398,863</u>
Lease liability	<u>\$ 99,827</u>	<u>\$ 117,044</u>

## 2. Risk Management Policy

The Company's primary financial instruments include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive profit or loss, notes receivable, accounts receivable, notes payable and accounts payable, etc. The Company's financial risk management objectives are to manage exchange rate risk, price risk, interest rate risk, credit risk, and liquidity risk related to operating activities. To reduce related financial risks, the Company is committed to identifying, assessing, and avoiding market uncertainties to reduce the potential adverse effects of market changes on the company's financial performance.

The Board of Directors reviews the Company's important financial activities under relevant regulations and internal control systems. During the execution of the financial plan, the Company must strictly abide by the relevant financial operating procedures regarding the overall financial risk management and division of powers and responsibilities.

## 3. The nature and extent of significant financial risks

### a. Market Risk

The Company's operating activities expose the Company to the main financial risks of foreign currency exchange rate risk, interest rate risk, and price risk. There is no change to the exposures related to market risk in financial instruments and how such exposures are managed and measured.

#### Exchange Rate Risk

- A. Some of the Company's cash inflows and outflows are in foreign currency, so there is a natural hedging effect. The management of the Company's exchange rate risk is to avoid risks, not for profit.
- B. The exchange rate risk management strategy regularly reviews the net positions of assets and liabilities in various currencies and performs risk management on the net positions. Trading foreign currency deposits is the primary tool for avoiding exchange rate risks.
- C. Since the net investment of foreign operating institutions is strategic, the company does not hedge against it.
- D. The Company's business involves certain non-functional currencies (the Company's functional currency is NTD, and the functional currency of some subsidiaries is RMB), so it is affected by exchange rate fluctuations. Information on foreign currency assets and liabilities with significant exchange rate fluctuations is as follows:

	12/31/2022		
(Foreign Currency: Functional Currency)	Foreign currency (In thousands)	Exchange Rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Currency items</u>			
USD: NTD	\$ 11,257	30.71	\$ 345,702
USD: RMB	12,394	30.71	380,620
<u>Non-currency items</u>			
USD: NTD	\$ 16,084	30.71	493,940
<u>Financial liabilities</u>			
<u>Currency items</u>			
USD: NTD	\$ 8,192	30.71	\$ 251,576
USD: RMB	1,992	30.71	61,174
<u>Non-currency items: None</u>			
	12/31/2021		
(Foreign Currency: Functional Currency)	Foreign currency (In thousands)	Exchange Rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Currency items</u>			
USD: NTD	\$ 19,602	27.65	\$ 541,995
USD: RMB	15,942	6.368	440,796
<u>Non-currency items</u>			
USD: NTD	\$ 19,671	27.65	\$ 543,903
<u>Financial liabilities</u>			
<u>Currency items</u>			
USD: NTD	\$ 13,832	27.65	\$ 382,455
USD: RMB	2,012	6.368	55,632
<u>Non-currency items: None</u>			

- E. The currency items of the Company have a significant impact due to exchange rate fluctuations. The aggregated amounts of all exchange gains (losses) recognized in 2022 and 2021 (including realized and unrealized) was \$50,896 and (\$5,550), respectively.

- F. The Company's foreign currency market risk analysis due to significant exchange rate fluctuations is as follows:

2022			
Sensitivity Analysis			
Range of change	Impact on profit or loss	Impact on other comprehensive income	
(Foreign Currency: Functional Currency)			
<u>Financial assets</u>			
<u>Currency items</u>			
USD: NTD	1%	\$ 3,457	\$ -
USD: RMB	1%	3,806	-
<u>Financial liabilities</u>			
<u>Currency items</u>			
USD: NTD	1%	(\$ 2,516)	\$ -
USD: RMB	1%	( 612)	-
2021			
Sensitivity Analysis			
Range of change	Impact on profit or loss	Impact on other comprehensive income	
(Foreign Currency: Functional Currency)			
<u>Financial assets</u>			
<u>Currency items</u>			
USD: NTD	1%	\$ 5,420	\$ -
USD: RMB	1%	4,408	-
<u>Financial liabilities</u>			
<u>Currency items</u>			
USD: NTD	1%	(\$ 3,825)	\$ -
USD: RMB	1%	( 556)	-

#### Price Risk

- A. Since the investments held by the Company are classified as financial assets at fair value through profit or loss and fair value through other comprehensive profit or loss in the consolidated balance sheet, the Company is exposed to the price risk of equity instruments. To manage the price risk of equity instrument investment, the Company diversifies its investment portfolio by the limits set by the Company.
- B. The Company mainly invests in the equity instruments of domestic and foreign companies. The prices of these financial instruments will be affected by the uncertainty of the future value of the investment target. If the price of such equity instruments increases or decreases by 1%, all other factors remain unchanged. The after-tax net profit for 2022 and 2021 will increase or decrease by \$1,900 and \$0 due to the benefit or loss from equity instruments measured at fair value through profit or loss. The gain or loss on the classification of equity investments at fair value through other comprehensive income increased or decreased by \$3,291 and \$2,591, respectively.

#### b. Credit Risk

- A. The credit risk of the Company refers to the risk of financial loss due to the failure of customers or counterparties of financial instruments to perform contractual obligations. It mainly arises from the inability of the counterparty to settle the receivables paid on collection terms and the contractual cash flows classified as investments in debt instruments measured at amortized cost.
- B. The Company establishes credit risk management from a Company perspective. For banks and financial institutions the Company deals with, only those with good credit ratings can be accepted as transaction objects. According to the internally specified credit policy, each operating entity within the Company and each new customer must conduct management and credit risk analysis before setting payment and proposing the terms and conditions of delivery. Internal risk control evaluates customers' credit quality by considering their financial status, experience, and other factors. The board of directors establishes limits for individual risks based on internal or external ratings, and the use of credit limits is regularly monitored.
- C. The Company adopts IFRS9 to assume that when the contract payment is overdue for more than 30 days according to the agreed payment terms, it is regarded as the basis for the significant increase of the financial asset credit risk since the original recognition.
- D. The Company adopts IFRS9 to assume that when the contract payment is overdue for more than 90 days according to the agreed payment terms, it is deemed to have breached the contract.
- E. The Company will Company customers' accounts receivable according to the characteristics of customer ratings and use a simplified method to estimate expected credit losses based on the provision matrix.
- F. After the recourse procedures, the Company will write off the number of financial assets that cannot be reasonably expected to be recovered. However, the Company will continue to follow legal procedures for recourse to preserve the creditor's rights.
- G. The indicators used by the Company to determine that debt instrument investment is credit-impaired are as follows:
- (A) The issuer is in significant financial difficulty or is likely to enter bankruptcy or other financial reorganization;
  - (B) The active market for the financial asset has ceased to exist due to the issuer's financial difficulties;
  - (C) Delay or non-payment of interest or principal by the issuer;
  - (D) Adverse changes in national or regional economic conditions cause the issuer to default.
- H. The Company adjusts the loss rate based on the historical and current information of a specific period based on the forward-looking consideration of the future to estimate the provision loss of notes receivable and accounts receivable. The preparation matrix for December 31, 2022, and 2021 is as follows:

	Non Overdue	Under 30 days overdue	31-90 days overdue	91-180 days overdue	Over 181 days overdue	Total
<u>12/31/2022</u>						
Total Book Value	\$ 287,909	\$ 39,308	\$ 2,535	\$ 3,544	\$ -	\$ 333,296
Allowance for losses	\$ -	\$ 1,060	\$ 127	\$ 709	\$ -	\$ 1,896
<u>12/31/2021</u>						
Total Book Value	\$ 424,872	\$ 22,365	\$ 20,845	\$ 195	\$ 2,255	\$ 470,532
Allowance for losses	\$ -	\$ 1,099	\$ 1,067	\$ 39	\$ 1,832	\$ 4,037

- I. The Company's simplified statement of changes in the allowance for losses of accounts receivable and other receivables is as follows:

	2022	
	Accounts Receivable	Other Receivables
Jan 1	\$ 4,037	\$ 12,915
Reclassified	-	( 12,915)
Provision for Impairment Loss	65	-
Amount written off due to irrecoverability	( 702)	-
Reversal of allowance loss due to recovery	( 1,541)	-
Exchange rate impact	37	-
Dec 31	<u>\$ 1,896</u>	<u>\$ -</u>
	2021	
	Accounts Receivable	Other Receivables
Jan 1	\$ 6,528	\$ 13,419
Reversal for Impairment Loss	( 2,340)	( 504)
Reversal of allowance loss due to recovery	( 177)	-
Exchange rate impact	26	-
Dec 31	<u>\$ 4,037</u>	<u>\$ 12,915</u>

- J. The financial assets measured by the amortized cost held by the Company are restricted bank deposits. The credit ratings of these transaction banks are good, and the risk of credit loss is expected to be extremely low.

c. Liquidity Risk

- A. The Company manages and maintains sufficient cash to support the Company's operations and mitigate the impact of cash flow fluctuations.
- B. The following table shows the Company's non-derivative financial liabilities, which are Companyed according to the relevant maturity dates. Non-derivative financial liabilities are analyzed based on the remaining period from the balance sheet to the contractual maturity date. The contractual cash flow amounts disclosed in the table below are undiscounted.

12/31/2022						
Non-derivative financial liabilities:	Immediately or under 1 month	1-3 months	3 months-1 year	1-5 years	Over 5 years	Total
Short-term loan	\$ 252	\$180,301	\$ -	\$ -	\$ -	\$ 180,553
Notes payable	16	-	1,530	-	-	1,546
Accounts payable	74,484	55,417	1,289	-	-	131,190
Other payables	46,892	12,383	7,904	-	-	67,179
Lease liability	1,984	3,968	13,792	19,032	78,029	116,805
Corporate bonds payable	-	-	6,900	-	-	6,900
<u>Derivative financial liabilities:</u>	None.					

12/31/2021						
Non-derivative financial liabilities:	Immediately or under 1 month	1-3 months	3 months- 1 year	1-5 years	Over 5 years	Total
Short-term loan	\$ 15	\$ 20,008	\$ -	\$ -	\$ -	\$ 20,023
Notes payable	283	-	1,620	-	-	1,903
Accounts payable	110,035	147,442	5,314	-	-	262,791
Other payables	65,554	9,794	25,886	2,705	-	103,939
Lease liability	1,958	3,916	17,057	35,286	78,761	136,978
Corporate bonds payable	-	-	8,400	-	-	8,400
<u>Derivative financial liabilities:</u>	None.					

(3) Fair Value Information

1. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in an active market for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transaction for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of listed stock investments, beneficiary certificates, Taiwan central government bond investments that are popular bonds, corporate bonds, and derivatives with active market quotations, etc., invested by the Company are included.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of public bonds, corporate bonds, financial bonds, convertible corporate bonds, and most of the derivatives invested by the Company that are not popular bonds shall belong to this category.

Level 3: Unobservable inputs to the asset or liability. Part of the derivative instruments invested by the Company, equity instrument investments without an active market, and real estate investments are included.

2. Please refer to Note 6 (10) for the fair value information of the Company's real estate investments measured at cost.
3. Financial instruments not measured by fair value

The book value of Cash and cash equivalents, financial assets measured at amortized cost, notes receivable, accounts receivable, other receivables, refundable deposits, short-term loans, notes payable, accounts payable, other payables, lease liabilities (including current and non-current), corporate bonds payable, and deposits received are reasonable approximations of fair values.

4. For financial instruments measured at fair value, the Company classifies assets and liabilities based on their nature, characteristics, risks, and fair value levels. Relevant information is as follows:

- a. The Company classifies by the nature of assets and liabilities, and the relevant information is as follows:

12/31/2022	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value</u>				
Financial assets at fair value through profit or loss				
Listed stock	\$162,800	-	-	\$162,800
Financial asset derivatives at fair value through profit or loss	-	-	-	-
Financial assets at fair value through other comprehensive income				
Emerging stock	36,270	-	-	36,270
Unlisted stocks	-	-	155,995	155,995
Total	<u>\$199,070</u>	<u>\$-</u>	<u>\$155,995</u>	<u>\$355,065</u>
Liability				

Recurring fair value: None.

12/31/2021	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value</u>				
Financial assets at fair value through profit or loss				
Financial asset derivatives at fair value through profit or loss	\$ -	\$ -	\$ 32	\$ 32
Financial assets at fair value through other comprehensive income				
Emerging stock	57,997	-	-	57,997
Unlisted stocks	-	-	69,945	69,945
Total	<u>\$ 57,997</u>	<u>\$ -</u>	<u>\$ 69,977</u>	<u>\$ 127,974</u>
Liability				

Recurring fair value: None.

- b. The methods and assumptions used by the Company to measure the fair value are explained as follows:

- A. The Company adopts market quotations as the input of the fair value (Level 1). It is classified according to the characteristics of the instrument as follows:

	TPEX Listed Stocks	Convertible corporate bonds
Market Quotation	Closing price	Closing price

- B. When evaluating non-standardized and less complex financial instruments, the Company adopts evaluation techniques widely used by market participants. The parameters used in the evaluation models of such financial instruments are usually market-observable information.

5. In 2022 and 2021, there was no transfer between Levels 1 and 2.
6. The following table lists the changes in Level 3 in 2022 and 2021:

	2022		2021	
	Financial Instruments	Derivatives	Financial Instruments	Derivatives
Jan 1	\$ 69,945	\$ 32	\$ 129,495	\$ 86
Gain or loss recognized in profit or loss accounted for non-operating income and expenses	-	(30)	-	39
Gain or loss recognized in other comprehensive profit or loss	16,048	-	(38,130)	-
Current Purchase	70,002	-	-	-
other	-	(2)	(21,420)	(93)
December 31	\$ 155,995	\$ -	\$ 69,945	\$ 32
Changes in unrealized gains or losses included in profit or loss of assets and liabilities held at the end of the period (Note 1)	\$ -	(\$ 30)	\$ -	(\$ 54)

Note 1: Non-operating income and expenses are listed in the accounts.

7. In 2022 and 2021, there was no transfer at Level 3.
8. The Company's assessment process for classifying fair value into Level 3 is that the financial department is responsible for the independent fair value verification of financial instruments. The process uses independent source information to make the evaluation result close to market conditions, confirming that the information source is independent, reliable, consistent with other sources, and representative of executable prices. It regularly calibrates the evaluation model, backtests, updates the input values and data required for the evaluation model, and makes any other necessary fair value adjustments to ensure that the evaluation results are reasonable. The Company regularly evaluates investment property through the evaluation methods and parameter assumptions announced by the Financial Supervisory Commission.

9. The quantitative information and the sensitivity analysis of the change of the significant unobservable input value of the evaluation model used for Level 3 fair value measurement items are as follows:

	12/31/2022 Fair Value	Evaluation Technique	Significant unobservable input value	Range (weighted average)	Input and fair value relationship
Non-derivative equity instruments:					
Unlisted stocks	\$ 30,256	Net Asset Value Approach	N/A	N/A	N/A
Unlisted stocks	763	Comparable Listed Companies Approach	Lack of market liquidity discount	20.60%	The higher the discount due to lack of market liquidity, the lower the fair value
Unlisted stocks	124,976	Income Approach	Lack of market liquidity discount and minority equity discount	15.8%-31.84%	The higher the discount for lack of market liquidity, the lower the fair value; the higher the discount for minority equity, the lower the fair value
Financial assets measured at fair value through profit or loss - convertible corporate bond sell-back rights and buy-back rights	-	Binary Tree Convertible Bond Evaluation Model	Stock price volatility	27.41%	The higher the volatility, the higher the fair value
	12/31/2021 Fair Value	Evaluation Technique	Significant unobservable input value	Range (weighted average)	Input and fair value relationship
Non-derivative equity instruments:					
Unlisted stocks	\$ 29,276	Net Asset Value Approach	N/A	N/A	N/A
Unlisted stocks	1,708	Comparable Listed Companies Approach	Lack of market liquidity discount	20%-20.6%	The higher the discount due to lack of market liquidity, the lower the fair value
Unlisted stocks	38,961	Income Approach	Lack of market liquidity discount and minority equity discount	4.29%-23.55%	The higher the discount for lack of market liquidity, the lower the fair value; the higher the discount for minority equity, the lower the fair value
Financial assets measured at fair value through profit or loss - convertible corporate bond sell-back rights and buy-back rights	32	Binary Tree Convertible Bond Evaluation Model	Stock price volatility	46.94%	The higher the volatility, the higher the fair value

10. The evaluation model and parameters selected by the Company are carefully evaluated. However, different evaluation models or parameters may lead to different evaluation results. For financial assets and financial liabilities classified as Level 3, if the evaluation parameters change, the impact on current profit or loss or other comprehensive loss is as follows:

		12/31/2022				
		Recognized in profit or loss		Recognized in other comprehensive profit or loss		
		Favorable change	Unfavorable change	Favorable change	Unfavorable change	
	Input value	Change				
Financial assets	Market	±1%	\$ -	\$ -	\$ 7	(\$ 7)
Equity instrument	liquidity discount					
Financial assets measured at fair value through profit or loss - convertible corporate bond sell-back rights and buy-back rights	Volatility	±1%	\$ -	\$ -	\$ -	\$ -
		12/31/2021				
		Recognized in profit or loss		Recognized in other comprehensive profit or loss		
		Favorable change	Unfavorable change	Favorable change	Unfavorable change	
	Input value	Change				
Financial assets	Market	±1%	\$ -	\$ -	\$ 22	(\$ 22)
Equity instrument	liquidity discount					
Financial assets measured at fair value through profit or loss - convertible corporate bond sell-back rights and buy-back rights	Volatility	±1%	\$ 1	\$ -	\$ -	\$ -

#### (4) Impact of the COVID-19 Pandemic on the Company's Operations

In response to the COVID-19 Pandemic, in addition to actively cooperating with the local authorities of the subsidiaries in the pandemic prevention operations, the Company also kept in touch with customers and suppliers on time to adjust the shipment schedule. Therefore, after evaluating the relevant operating and financial information, the COVID-19 Pandemic has no significant impact on the Company's ability to continue operating, asset impairment, and financing risks. The Company will continue to monitor the development of the pandemic and adjust strategies in real time.

### 13. Notes to Disclosures

Transactions between subsidiaries have been eliminated in preparing the consolidated financial report, and the information disclosed below is for reference.

#### (1) Information on significant transactions

1. Loan to others: Please refer to Appendix 1.
2. Endorsement guarantee for others: Please refer to Appendix 2.
3. Status of securities held at the end of the period (excluding investment subsidiaries, associates, and joint ventures): Please refer to Appendix 3.
4. The accumulative purchase or sale of the same securities over NT\$300 million or 20% of the paid-in capital: Please refer to Appendix 4.
5. The real estate acquired over NT\$300 million or 20% of the paid-in capital: None.
6. The real estate disposed of over NT\$300 million or 20% of the paid-in capital: None.
7. Purchases and sales of goods with related parties over NT\$100 million or 20% of the paid-in capital: Please refer to Appendix 5.

8. Receivables from related parties over NT\$100 million or 20% of the paid-in capital: Please refer to Appendix 6.
9. Derivatives transactions: None.
10. The business relationship between the parent company and its subsidiaries, between each subsidiary, and the status and amount of important transactions: Please refer to Appendix 7.

(2) Information on investees

Invested company name, location, and other relevant information (excluding Mainland Chinese invested companies): Please refer to Appendix 8.

(3) Information on investments in Mainland China

1. Basic information: Please refer to Appendix 9.
2. Significant transactions occurred directly or indirectly through third-region enterprises and investee companies that reinvested in Mainland China: Please refer to Appendix 7.

(4) Information on major shareholders

Information on major shareholders: Please refer to Appendix 10.

## 14. Segment Information

(1) General Information

The Company's operating decision-makers use product-specific information to allocate resources and measure departmental performance. Each product has similar economic characteristics, and the products are sold through a unified and centralized marketing method, so the Company aggregates them into a single operating department for reporting.

(2) Measurement of segment information

The Company's operating decision-makers focus on product-specific information for allocating resources and evaluating effectiveness. Each product has similar economic characteristics, and the products are sold through a unified and centralized marketing method, so the Company aggregates them into a single operating department report. In addition, the departmental information provided by the Company to operating decision-makers for review is based on the same measurement as the consolidated financial statements.

	2022	2021
Revenue from external customers	\$ 1,620,659	\$ 1,988,269
Segment (loss) profit	\$ 47,021	\$ 201,644
	2022	2021
Segment assets (note)	\$ 1,805,047	\$ 2,183,878

Note: Non-current assets do not include deferred income tax assets and financial instruments.

(3) Information on products and services

The details of the income balance are as follows:

	2022	2021
Net Sales	\$ 1,610,145	\$ 1,976,213
Lease Income	10,514	12,056
Total	\$ 1,620,659	\$ 1,988,269

(4) Regional Information

The Company's regional information in 2022 and 2021 is as follows:

	2022		2021	
	Revenue	Non-current Assets	Revenue	Non-current Assets
Taiwan	\$ 317,467	\$ 458,528	273,351	\$ 492,806
Mainland China	164,275	69,191	146,335	155,212
America	928,604	-	1,379,302	-
Other	210,313	-	189,281	-
Total	<u>\$ 1,620,659</u>	<u>\$ 527,719</u>	<u>\$ 1,988,269</u>	<u>\$ 648,018</u>

(5) Important Customer Information

The important customer information of the Company in 2022 and 2021 is as follows:

	2022		2021	
	Revenue	Department	Revenue	Department
Customer C	\$ 793,990	All departments	\$ 804,795	All departments
Customer M	113,195	All departments	416,741	All departments
Customer F	107,833	All departments	129,099	All departments
Customer Z	-	All departments	53,264	All departments

FOCI Fiber Optic Communications, Inc. and Subsidiaries

Loans to Others

For the year ended Dec 31, 2022

Appendix 1

Unit: NT\$1,000; US\$1,000; RMB1,000  
(unless otherwise specified)

No. Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended (Note 2)	Ending Balance	Actual amount drawn down	Interest Rate	Nature of loan (Note 3)	Transaction Amount	Reason for short-term financing	Allowance for doubtful accounts	Collateral		limit on loans granted to a single party	Ceiling on total loans granted	Note
													Name	Value			
1	Shanghai FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	Other receivables - related partyies	Yes	\$ 66,120 (RMB 15,000)	\$ -	\$ -	4.35	Business Transaction	\$ 96,745	-	-	-	-	\$ 96,745 (Note 4)	\$ 388,975 (Note 5)	
2	Jiangxi FOCI Fiber Optic Communication, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	Other receivables - related partyies	Yes	\$ 88,160 (RMB 20,000)	\$ 88,160 (RMB 20,000)	\$ 88,160 (RMB 20,000)	4.35	Operating capital	-	-	-	-	-	\$ 104,963 (Note 6)	\$ 104,963 (Note 6)	

Note 1: The description of the No. is as follows:

(1) Issuer fills in 0.

(2) Invested companies are numbered sequentially, starting from 1 by company.

Note 2: The maximum balance of funds loaned to others in the current year.

Note 3: The nature of the loan should be listed as a business transaction or a need for short-term financing.

Note 4: Shanghai FOCI Fiber Optic Communications, Inc. funds are loaned to companies or firms with business contacts, and individual loans shall not exceed the business transactions between the two parties in the most recent year. The so-called business transaction amount refers to the goods purchased or sold between the two parties, whichever is higher.

Note 5: Shanghai FOCI Fiber Optic Communications, Inc. funds are loaned to companies that directly and indirectly hold 100% of the voting shares. The total loan amount shall not exceed the net equity of Shanghai FOCI Fiber Optic Communications, Inc..

Note 6: Jiangxi FOCI Fiber Optic Communication, Inc. funds are loaned to companies whose parent company holds 100% of the voting shares, directly and indirectly. The total loan amount shall not exceed the net equity of Jiangxi FOCI Fiber Optic Communication, Inc..

FOCI Fiber Optic Communications, Inc. and Subsidiaries  
Provision of endorsements and guarantees to others  
For the year ended Dec 31, 2022

Appendix 2

Unit: NT\$1,000  
(unless otherwise specified)

No. Note 1	Endorser/ guarantor	Party being endorsed/guaranteed		Relationship (Note 2)	Limit on endorsements/ guarantees provide for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount	Outstanding endorsement/ guarantee amount	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of the accumulated endorsement guarantee amount to the net equity of the latest financial statement (%)	Ceiling on total amount of endorsements/ guarantees provided(Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ Guarantees to the party in Mainland China	Note
0	FOCI Fiber Optic Communications, Inc.	Shanghai FOCI Fiber Optic Communications, Inc.		2	\$ 498,151	\$ 61,420	\$ 61,420	\$ -	\$ -	3.70	\$ 830,252	Y	N	Y	
0	FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.		2	498,151	30,710	30,710	-	-	1.85	830,252	Y	N	Y	

Note 1: The description of the No. is as follows:

- (1) Issuer fills in 0.
- (2) Invested companies are numbered sequentially, starting from 1 by company.

Note 2: There are seven types of relations between the endorser and the endorsed, and the type can be marked:

- (1) Companies with business transactions.
- (2) Companies directly or indirectly hold more than 50% of the shares with voting rights.
- (3) Companies directly or indirectly hold more than 50% of the Company's voting shares.
- (4) Companies directly or indirectly hold more than 90% of the voting shares.
- (5) Based on the needs of contracting projects, companies in the same industry or co-constructors are mutually insured according to the contract.
- (6) Due to the joint investment relationship, companies endorsed and guaranteed by all the shareholders by their shareholding ratio.
- (7) Peers that conduct joint guarantees for pre-sale housing sales contracts under the Consumer Protection Act.

Note 3: The total amount of the Company's external endorsement guarantee shall not exceed 50% of the net value of the current period. The endorsement guarantee for a single enterprise is limited to under 20% of the net equity of the current period. A single overseas affiliated company is limited to under 30% of the net equity. If the endorsement guarantee is engaged due to business relations, the transaction with the Company in the latest year shall not exceed the total amount.

FOCI Fiber Optic Communications, Inc. and Subsidiaries

Securities held at the end of the period (excluding investment subsidiaries, associates, and joint venture control parts)

For the year ended Dec 31, 2022

Appendix 3

Unit: NT\$1,000  
(unless otherwise specified)

Holding Company	Type and Name of Securities	Relation with Securities Issuers	Account Subject	End of Period				Note
				Number of shares/units (thousand shares/unit)	Book Value	Shareholding Ratio	Fair Value	
FOCI Fiber Optic Communications, Inc.	APEX OPTECH CORPORATION	No	Financial assets at fair value through other comprehensive income	99	\$ 1,576	3.95%	\$ 1,576	
FOCI Fiber Optic Communications, Inc.	APEX BVI	No	Financial assets at fair value through other comprehensive income	155	-	1.83%	-	
FOCI Fiber Optic Communications, Inc.	DARJUN VENTURE CORPORATION	No	Financial assets at fair value through other comprehensive income	2,738	28,680	5.78%	28,680	
FOCI Fiber Optic Communications, Inc.	GINGY Technology Inc.	No	Financial assets at fair value through other comprehensive income	62	763	1.23%	763	
FOCI Fiber Optic Communications, Inc.	Xsense Technology Corporation, INC.	No	Financial assets at fair value through other comprehensive income	2,263	21,115	9.84%	21,115	
FOCI Fiber Optic Communications, Inc.	Aptos Technology Inc.	No	Financial assets at fair value through other comprehensive income	9,000	103,861	14.91%	103,861	
FOCI Fiber Optic Communications, Inc.	ADVAGENE BIOPHARMA CO., LTD.	No	Financial assets at fair value through other comprehensive income	1,207	36,270	2.45%	36,270	
FOCI Fiber Optic Communications, Inc.	United Microelectronics Corporation	No	Financial assets at fair value through profit or loss	4,000	162,800	0.03%	162,800	

FOCI Fiber Optic Communications, Inc. and Subsidiaries  
Accumulative purchase or sale of the same securities over NT\$300 million or 20% of the paid-in capital  
For the year ended Dec 31, 2022

Appendix 4

Purchasing/Selling Company	Type and Name of Securities	Account Subject	Trading partners	Relation	Unit: NT\$1,000 (unless otherwise specified)									
					Beginning of Period		Purchase		Sale			End of Period		
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Sale Price	Book Value Cost	Disposal profit and loss	Number of Shares	Amount
FOCI Fiber Optic Communications, Inc.	United Microelectronics Corporation	Financial assets at fair value through profit or loss - current			-	\$ -	4,000,000	\$ 237,460	-	\$ -	\$ -	\$ -	4,000,000	\$ 162,800

FOCI Fiber Optic Communications, Inc. and Subsidiaries  
Purchase and sale of goods with related parties over NT\$100 million or 20% of the paid-in capital  
For the year ended Dec 31, 2022

Appendix 5

Unit: NT\$1,000  
(unless otherwise specified)

Purchasing/Selling Company	Trading Partner Name	Relation	Transaction Situation				Situations and reasons why transaction conditions are different from general transactions		Notes and accounts receivable (payable)		
			Purchase (Sales)	Amount	Ratio of total purchases (sales)	Credit Period	Unit Price	Credit Period	Balance	Ratio to total notes and accounts receivable (payable)	Note
FOCI Fiber Optic Communications, Inc.	Shanghai FOCI Fiber Optic Communications, Inc.	Subsidiaries	Purchase	\$ 478,452	34.77%	60 days	Note 1	Note 1	(\$ 141,442)	53.64%	
FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	Subsidiaries	Purchase	421,587	30.63%	60 days	Note 1	Note 1	( 84,976)	32.22%	

Note 1: The inventories purchased by the Company from related parties were not purchased from other suppliers. Since there is no market price to compare, the transaction price is determined by referring to the market situation and negotiation between the two parties. The payment terms are the same as the ordinary customers, but it is also charged according to the capital demand of the subsidiary.

FOCI Fiber Optic Communications, Inc. and Subsidiaries  
 Receivables from related parties over NT\$100 million or 20% of the paid-in capital  
 For the year ended Dec 31, 2022

Appendix 6

Unit: NT\$1,000  
 (unless otherwise specified)

Accounts Receivable Company	Trading Partner Name	Relation	Balance of receivables from related parties (Note 1)	Turnover	Overdue receivables from stakeholders		Amount recovered after due date	Provision for bad debts
					Amount	Disposal Approach		
Shanghai FOCI Fiber Optic Communications, Inc.	FOCI Fiber Optic Communications, Inc.	Parent Company	\$ 141,442	2.55	\$ -	-	\$ 24,112	\$ -

Note 1: Please fill in the accounts, notes, and other receivables, from related parties separately.

FOCI Fiber Optic Communications, Inc. and Subsidiaries

The business relationship between the parent company and its subsidiaries and each subsidiary and important transactions

For the year ended Dec 31, 2022

Appendix 7

Unit: NT\$1,000  
(unless otherwise specified)

No. (Note 1)	Trading Partner Name	Trading Object	Relation with the Trader (Note 2)	Transaction Status			Ratio to consolidated total revenue or assets (Note 3)
				Subject	Amount	Transaction Terms	
0	FOCI Fiber Optic Communications, Inc.	Shanghai FOCI Fiber Optic Communications, Inc.	1	Purchase	\$ 478,452	Note 5	29%
0	FOCI Fiber Optic Communications, Inc.	Shanghai FOCI Fiber Optic Communications, Inc.	1	Sales	103,795	Note 5	6%
0	FOCI Fiber Optic Communications, Inc.	Shanghai FOCI Fiber Optic Communications, Inc.	1	Accounts Payable	141,442	Note 5	6%
0	FOCI Fiber Optic Communications, Inc.	Shanghai FOCI Fiber Optic Communications, Inc.	1	Accounts Receivable	30,075	Note 5	1%
0	FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	1	Purchase	421,587	Note 5	25%
0	FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	1	Sales	203,967	Note 5	12%
0	FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	1	Accounts Payable	84,976	Note 5	4%
0	FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	1	Accounts Receivable	30,426	Note 5	1%
1	Jiangxi FOCI Fiber Optic Communication, Inc.	Shanghai FOCI Fiber Optic Communications, Inc.	3	Sales Revenue	16,484	Note 5	1%
1	Jiangxi FOCI Fiber Optic Communication, Inc.	Shanghai FOCI Fiber Optic Communications, Inc.	3	Accounts Receivable	4,600	Note 5	0%
2	Shanghai FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	3	Purchase	21,658	Note 5	1%
2	Shanghai FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	3	Sales Revenue	96,745	Note 5	6%
2	Shanghai FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	3	Accounts Receivable	7,616	Note 5	0%
2	Shanghai FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	3	Interest Income	1,863	Note 5	0%

Note 1: The business transaction information between the parent company and its subsidiaries should be indicated. The method of filling in No. is as follows:

- (1) Parent company fill in 0.
- (2) Subsidiaries are numbered sequentially, starting from 1 by company.

Note 2: There are three types of relation with the trader, and the type of indication is sufficient (if it is the same transaction between a parent company and subsidiaries or between subsidiaries, there is no need to disclose it repeatedly. For example: if the parent company has already disclosed the transaction of the subsidiary, the subsidiary does not need to be disclosed repeatedly. For transactions between subsidiaries, if one subsidiary has already disclosed, the other subsidiary does not need to disclose repeatedly):

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: The ratio of the transaction amount to the consolidated total revenue or assets is calculated by the balance at the end of the period as a percentage of the consolidated total assets if it is an asset and liability item. If it is a profit or loss item, it shall be calculated based on the accumulative amount during the period as a percentage of the consolidated total revenue.

Note 4: The Company can determine the important transactions in this form based on the materiality principle.

Note 5: The transaction price with stakeholders is determined after negotiation between the two parties, and the payment terms are due 60 to 90 days after the date of sale or purchase.

Note 6: The capital loan amount between the company and its subsidiaries.

FOCI Fiber Optic Communications, Inc. and Subsidiaries  
Information on investees (Excluding information on investments in Mainland China)  
For the year ended Dec 31, 2022

Appendix 8

Unit: NT\$1,000  
(unless otherwise specified)

Investing Company Name	Invested Company Name	Location	Main Business	Original Investment Amount		Holding at the end of the period			Current profit and loss of the invested company	Current recognized investment profit and loss	Note
				End of Current Period	End of Last Year	Number of Shares (1,000)	Ratio	Book Value			
FOCI Fiber Optic Communications, Inc.	FIOPTec Inc.	Cayman Islands	Investment	\$ 370,421	\$ 475,530	\$ 15,050	100%	\$ 493,845	\$ 56,648	\$ 56,648	Note 1 Note 2
FOCI Fiber Optic Communications, Inc.	BKS TEC Corp.	Taiwan	Photoelectric	21,420	21,420	6,000	11.76%	14,673	(36,814)	(4,736)	

Note 1: On June 13, 2022, the board of directors of FIOPTec Inc. passed a resolution on the earnings distribution before 2020 (inclusive), distributing cash dividends of US\$1,999,000, equivalent to NT\$59,323,000. The deducted withholding tax is US\$1,790,000, equivalent to NT\$53,133,000, paid on June 15, 2022.

Note 2: On July 21, 2022, the board of directors of FIOPTec Inc. passed a resolution on the earnings distribution before 2021 (inclusive), distributing cash dividends of US\$1,936,000, equivalent to NT\$57,779,000. The deducted withholding tax is US\$1,741,000, equivalent to NT\$51,975,000, paid on July 21, 2022.

FOCI Fiber Optic Communications, Inc. and Subsidiaries  
Information on investments in Mainland China  
For the year ended Dec 31, 2022

Appendix 9

Unit: NT\$1,000; US\$1,000; RMB1,000  
(unless otherwise specified)

Invested Company Name in Mainland China	Main Business	Paid-in capital	Investment method	Accumulative investment amount remitted from Taiwan at the beginning of the current period	Remittance or withdrawal of investment amount in the current period		Accumulative investment amount remitted from Taiwan at the end of the current period	Current profit and loss of the invested company	Shareholding ratio of the company's direct or indirect investment	Recognized current investment profit and loss (Note 3)	Investment Book Value at the end of the period	Repatriated investment income as of the current period	Note
					Remittance	Withdrawal							
Shanghai FOCI Fiber Optic Communications, Inc.	Production and processing of optical fiber passive components, jumpers, tail wire, couplers, testers, switches, optical controllers, optical fiber communication rooms' parts , accessories, related consulting and technical services, and sales of the Company ' s products	USD 10,050	Note 1	\$ 325,914 (USD 10,050)	\$ -	\$ 105,109	\$ 220,805 (USD 6,519)	\$ 54,908	100%	\$ 54,908	\$ 388,975	\$ 105,109	Note 4
Jiangxi FOCI Fiber Optic Communication, Inc.	Production and processing of optical fiber passive components, jumpers, tail wire, couplers, testers, switches, optical controllers, optical fiber communication rooms' parts , accessories, related consulting and technical services, and sales of the Company ' s products	USD 5,000	Note 1	149,616 (USD 5,000)	-	-	149,616 (USD 5,000)	1,937	100%	1,937	104,963	-	
Zhongshan FOCI Fiber Optic Communications, Inc.	Production and processing of optical fiber passive components, jumpers, tail wire, couplers, testers, switches, optical controllers, optical fiber communication rooms' parts , accessories, related consulting and technical services, and sales of the Company ' s products	CNY 20,000	Note 2	-	-	-	-	27,199	100%	27,199	77,489	-	
Company Name	The accumulative investment remitted from Taiwan to Mainland China at the end of the current period	Investment amount approved by the Investment Commission, MOEA	Investment limit for Mainland China by Investment Commission, MOEA										
FOCI Fiber Optic Communications, Inc.	\$ 370,421	\$ 370,421	\$ 996,303										

Note 1: The method is to reinvest in Mainland Chinese companies through FIOPTec INC.

Note 2: The method is to reinvest in Mainland Chinese companies through Shanghai FOCI Fiber Optic Communications, Inc..

Note 3: The financial statements of Shanghai Fiber Optic Communications, Inc. and Zhongshan FOCI Fiber Optic Communications, Inc. are calculated based on the audit by the accountants of the parent company during the same period.

Note 4: (1) On March 21, 2022, the board of directors of Shanghai FOCI Fiber Optic Communications, Inc. approved the earnings distribution plan before 2020 (inclusive), distributing cash dividends of RMB 13,266,000, equivalent to NT\$59,323,000. The deducted withholding tax is RMB 11,939,000, equivalent to NT\$53,133,000, paid on June 9, 2022.

(2) On June 30, 2022, the board of directors of Shanghai FOCI Fiber Optic Communications, Inc. approved the 2021 earnings distribution plan, distributing cash dividends of RMB 13,018,000, equivalent to NT\$57,779,000. The deducted withholding tax is RMB 11,716,000, equivalent to NT\$51,975,000, paid on July 15, 2022.

Fiber Optic Communications, Inc. and Subsidiaries  
Major Shareholder Information  
For the year ended Dec 31, 2022

Appendix 10

Major Shareholder Name	Shareholding	Percentage
Song-fure Lin	4,626,367	5.23%