Stock Code: 3363

FOCI Fiber Optic Communications, Inc.

2023 Annual Report

Printed on 1 April 2024

This report is available on:
(1) TWSE MOPS: http://mops.twse.com.tw
(2) FOCI website: http://www.FOCI.com.tw

Notice to readers
This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and the Chinese version, the Chinese version shall prevail.

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

3. Organization for stock transfer
Name: Stock Agency, Taishin Securities Co., Ltd.
Address: B1., No.96, Sec.1, Jianguo N. Rd., Zhongshan 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: Shu-Chian Bai 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.FOCI.com.tw

Contents

I. A report to the shareholders

Ladies and gentlemen, dear shareholders,

Although the world is looking forward to the arrival of the green shoots after the pandemic, the economic recovery and growth in 2023 is still not as expected due to the interaction of inflation and geopolitics, and the economic outlook of the U.S. and Europe is still not optimistic. However, we have seen the dawn of the customer's inventory depletion, and we are still cautiously optimistic about the outlook of 2024, actively planning for the Company's growth layout and facing various challenges in the future. We would like to report on our business situation in 2023 and our business plan for 2024.

For 2023, the Company's consolidated revenue was NT$1,271,745 thousand, consolidated net income after tax was NT$12,058 thousand, profit ratio was 0.95%, earnings per share was NT$0.13, return on total assets was 0.71%, and return on stockholders' equity was 0.63%.

Under the pressure of customers' slower-than-expected inventory depletion, our business could not grow as expected in 2023, but we have not stopped our business development, and we are proactively developing new customers and new application markets, and engaging in business and technology development with international customers. In addition to expanding the existing cooperation projects, we have also simultaneously developed the silicon packaging business, in order to proactively capture the demand for data centers through strategic cooperation with our customers and the establishment of subsequent mass production orders. In terms of R&D layout, we will strengthen the design development and CPO product process development capabilities of our Taiwan headquarters, build up a patent layout, and continue to cooperate and establish partnerships with major semiconductor manufacturers to provide more complete solutions for silicon-photonics co-packaging, in order to achieve a leading position in the market. In terms of production planning, we focus on the development of automation equipment and smart manufacturing, and continue to strengthen our production engineering capabilities and production efficiency, enhance product and technology development, and expand our production lines. We also continue to enhance our competitiveness, including the professional certification of our products and production lines, and participate in the joint research and development with our customers, in order to achieve a stable scale of orders, to consolidate our production resources, and to satisfy the goal of maximizing our production capacity efficiency. We will take advantage of market opportunities as early as possible. In addition, after completing the SAP construction and bringing the ERP system in line with international manufacturers, we will continue to invest in the optimization of other information management systems and the construction of software and hardware related to product safety. We will also continue to strengthen industry-academia cooperation, recruit talents, and lay the groundwork for transforming into a world-class optical communication and silicon photonics packaging company.

FOCI is committed to promoting the corporate sustainable development of ESG, focusing not only on the operation of the Board of Directors in terms of corporate governance and corporate issues such as performance, risk, and business ethics, but also on labor and human rights, and physical and mental care for employees in terms of corporate social responsibility, as well as listening to the suggestions of employees to continue to create a better working environment. In addition to continuing to strengthen corporate governance and ESG requirements, with integrity and corporate conscience, we have worked hard in talent cultivation, industry-academia cooperation, and deepening the establishment of Taiwan's optical communications capabilities, and we expect to reach new heights this year with solid operational performance. We would like to thank our shareholders for your support and encouragement of FOCI, and we will do our best to seize every opportunity for growth and expand our technological advantages and market position under thorough preparations and careful planning, in order to reward our shareholders and investors for their support and love of FOCI.

Ladies and gentlemen, I wish you all the best of health and happiness.

Song-fure Lin, Chairman

II. Company Profile

(I). FOCI was founded on 14 June 1995.

(II). 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"

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

2021

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”

2023

Jan •Launched ReLFACon® (Reflowable Lensed Fiber Array Connector) products used in Optical Switch, HPC, AI, ML, Lidar and Sensor.

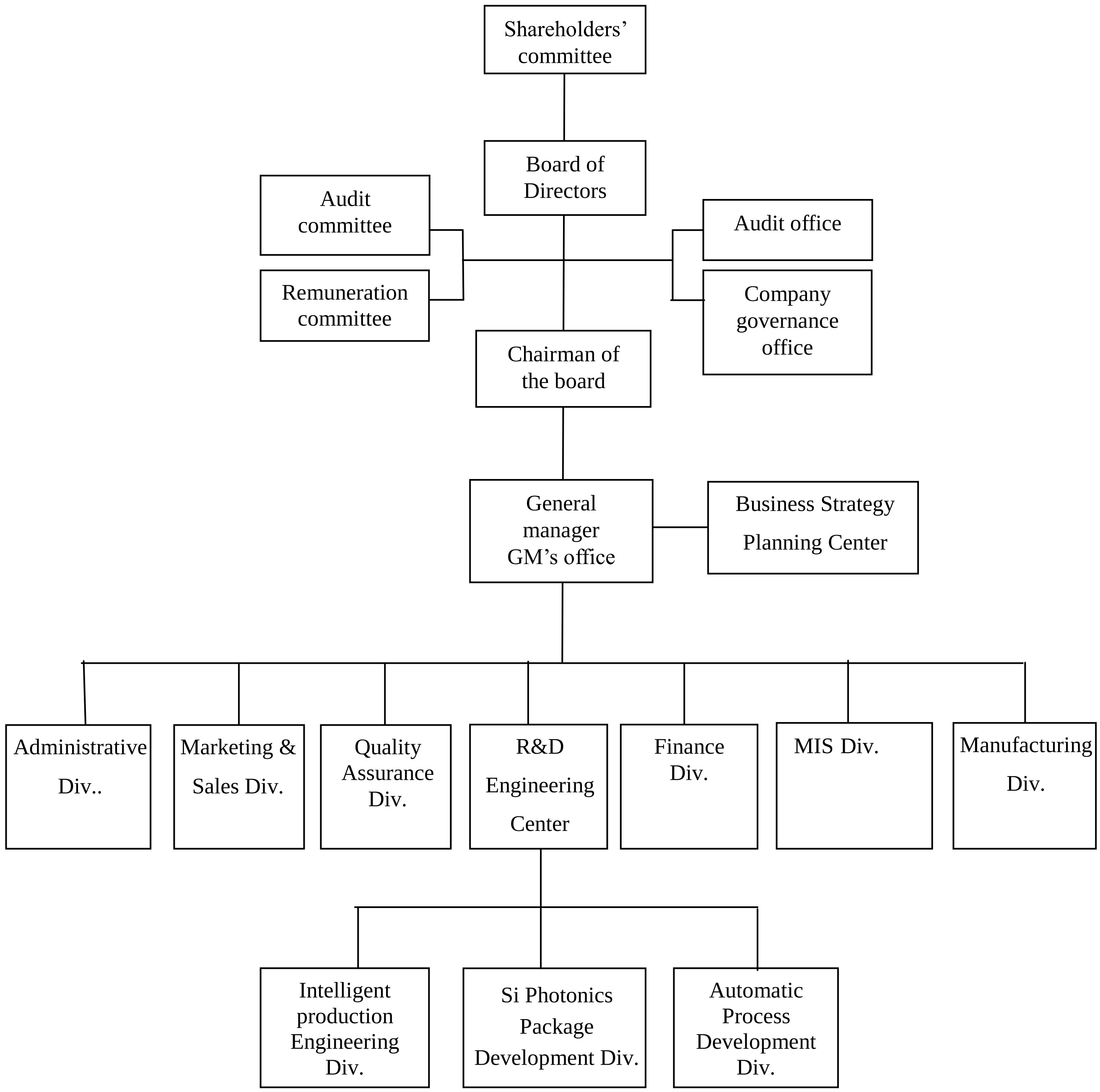
Feb •ReLFACon® trademark obtained trademark registration certification in Taiwan.

Nov Cash capital increase and new stock issuance 10,000 thousand shares.

III. Corporate Governance Report

(I). Organization system

1. Organization system



2. Departments and their tasks

DEPARTMENT	JOB DESCRIPTION
GM'S OFFICE	(1) Oversees resolutions made in the management level review meetings and examines the management level reviews; (2) In charge of review, signing of and follow-up on contracts; (3) Helps GM with promoting and carrying out business tasks; (4) Evaluates and reviews FOCI's quality and business performance; (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; (6) In charge of daily business planning, management, and implementation of subsidiary companies; and (7) Introduces mature products developed in Taiwan to global subsidiaries.
AUDIT OFFICE	(1) Audits the balance of finance, sales, and accounting, and produces audit reports as scheduled and from time to time; (2) Keeps a track on the internal control implementation procedures and assesses the results of individual departments in implementing internal controls periodically; and (3) In charge of revision of internal control system documentation and improvement performance of internal auditing management.
MARKETING & SALES DIVISION	(1) Domestic and international sales and marketing activities; (2) Market and client development for new technical products and application; (3) Sales management and sales management system implementation; (4) Sales planning, expansion, and management, and client communication and service; and (5) Order / contract documents for domestic and international sales, and production and management of records.
MIS DIVISION	(1) Develop and maintain the production management system software and support the writing of software required by relevant. (2) Maintain the Company's information network system, hardware and software, interface equipment and information security. (3) Plan and manage the Company's overall information system.
FINANCE DIVISION	(1) General book keeping, including general accounting and cost accounting; (2) Production and Issuance of financial statements; (3) Determination and declaration of profit-seeking enterprise income tax,

	business tax, stamp tax, and other taxes; (4) Bank deposits and loans, and capital movements; and (5) Cashier tasks and transactions with banks.
BUSINESS STRATEGY PLANNING CENTER	(1) Helps management level with strategy development; (2) In charge of the development, and maintenance of company systems, as well as contract management; and (3) Development, promotion, and management of plans.
QUALITY ASSURANCE DIVISION	(1) Establishes quality systems and inspection procedures that meet the quality system; (2) In charge of planning and implementation of tests or inspections on incoming materials, outgoing shipments, and environment tests; (3) Quality feedbacks to and quality control and assessment on suppliers; (4) Quality evaluation and tracking on products and materials, and data analysis, statistics, and improvement activities; and (5) Planning, implementation and review of FOCI's quality and reliability affairs, establishment of quality assurance organization and system, and quality-related training.
R&D ENGINEERING CENTER.	(1) Planning the company's R&D direction and product layout. (2) Supervising the execution progress of R&D projects. (3) Planning and managing the work of new product mass production.
SI PHOTONICS PACKAGE DEVELOPMENT DIVISION	(1) Develops SiPh component packages and products, and CPO products. (2) Production and management of design development projects, process development, design technical data, test reports, and other documents and records. (3) Assistance in improving product manufacturing processes. (4) Pilot production tests for special product orders or contracts.
INTELLIGENT PRODUCTION ENGINEERING DIVISION	(1) Research and develop various products. (2) The output and management of document records such as design and development planning, manufacturing process development, design technical data, test reports, etc. (3) Assist in improving product manufacturing processes. (4) Execute initial sample and trial production testing of special product orders or contracts.
AUTOMATIC PROCESS DEVELOPMENT DIVISION	(1)Key manufacturing process design and development. (2)Feasibility assessment of DFM, EVT, DVT and PVT. (3)Main structure planning and design. (4)Development of production line jig. (5)Optimization of production jig.
MANUFACTURING DIVISION	(1) Planning, implementation, and management of production lines needed for products to fill orders/contracts;

	(2) Implementation, improvement, and upgrade of process operation procedures; (3) Checks and tests at every stage of product, and nonconformity management; and (4) Production equipment maintenance and servicing. (5) New production line recruit training and on-the-job training.
ADMINISTRATIVE DIVISION	(1) Procurement of raw materials, machines, instruments, equipment, and office supplies; (2) Subcontractor/supplier assessment and data management; (3) Product handling, storage, packing and delivery; (4) Factory management and general management needed for business operations; (5) Management of equipment, raw materials, finished products and associated supplies; (6) Worker recruitment, employment, and performance evaluation; and (7) Assistance for department heads in workers' training.
OCCUPATIONHAL SAFETY OFFICE	(1) Development, planning, promotion, and supervision of all matters related to occupational safety, and establishment of occupational safety and health management system; (2) Periodical meetings of occupational safety and health committee; and (3) Planning and implementation of occupational health improvement.

(II). Information on the company's directors, 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 2024; 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 FOCI 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			Job title	Name	Relation	
Chairman	ROC	Song-fure Lin	M 61~70	2021 .7.5	3	2002.11. 11	4,122,367	4.73	5,124,102	5.19	0	0	150,561	0.15	M. Physics, Fu-Jen Univ., Chairman /GM/R&D VP of FOCI, Head of component section, Dept. of Optical fiber Technologies, ITRI EOSL	Note 1	None	None	None	None
Director	ROC	Lee-chiou Chang	M 71~80	2021 .7.5	3	2015.4.30	800,000	0.92	800,000	0.81	0	0	0	0	M. Insurance, National Chengchi Univ.; Chairman of Yuanta Securities; GM, Yuanta-Jinghua Securities; GM, Grand Cathay Securities Corp; 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
Director	ROC	Ting-ta Hu	M 51~60	2021 .7.5	3	2021.7.5	0	0	770,805	0.78	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., School of Law, Soochow Uni.v.,; prof., Dept. of Law and Graduate Institute of Technical Laws, National Cheng Kung Univ.; member of remuneration committee, Panion &BF Biotech	Note 1	None	None	None	None
Independent director	ROC	Tzu-ming Wang	M 71~80	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 International Investment Trust, Director ,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 chairman 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.

Note3: The former director of the Company, "Beolym Corporation" of the British Virgin Islands, was dismissed naturally on March 4, 2024 because the balance of the shares held after transfer was less than one-half of the shares held at the time of its appointment, and in accordance with Article 197 of the Company Act, a director is dismissed naturally when he has transferred more than one-half of the shares held at the time of the appointment during the term of office. Therefore, on March 4, 2024, BEOLYM CORPORATION of the British Virgin Islands and its representative, Hsin-tse Tsai, was dismissed as a director and insider.

Job title	Name	Current position(s) in FOCI and other companies
Chairman of the board	Song-fure Lin	Board chairman, FOCI ;Board chairman, FOCI Shanghai; board chairman, FOCI Jiangxi; board chairman, Shang Cheng Investment Co., Ltd.
Board director	Lee-chiou Chang	The CEO of Sun Ten Group.、Chairman of Panion &BF Biotech Inc.、Chairman of Shun Tian International Consulting Co., Ltd、Chairman of Herbiotek Co., Ltd、Chairman of Cheng Fong Chemical Co., Ltd、Chairman of Ho Tung Chemical Corp. 、Chairman of YH Bio Co., Ltd、Chairman of Viarich Biotechnology Co., Ltd.、Director of FOCI Fiber Optic Communications,Inc.、Director of Triknight Capital Corporation、Director of Formosan Union Chemical Corporation、Independent director / audit committee member / remuneration committee member of T3EX Global Holdings Corp.、Independent director / audit committee member / remuneration committee member of Acme Electronics Corporation、Independent director / audit committee member / remuneration committee member of Taiwan Hopax Chemicals Mfg.Co.,Ltd.

Board director	Ting-ta Hu	Director/GM, FOCI; legal representative for board director, BKS Tec Corp.
Independent director	Mei-huei Li	Independent director , FOCI; Board chairman, Innova Vision Inc.; Representative of institutional shareholder, Advagene Biopharma Co., Ltd.
Independent director	Li-jen Kuo	Independent director , FOCI; Professor, Department of Educational Management / Graduate School of Culture and Education Law, National Taipei University of Education
Independent director	Tzu-ming Wang	Independent director , FOCI; Independent director / audit committee member / remuneration committee member, Ho Tung Chemical Corp.

Note1:The former director of the Company, "Beolym Corporation" of the British Virgin Islands, was dismissed before the date of publication of the annual report.

Major shareholder(s) in institutional shareholders for directors and supervisors acting as the representatives of institutional shareholders: The former director of the Company, "Beolym Corporation" of the British Virgin Islands, was dismissed before the date of publication of the annual report.

Major shareholder(s) as legal person(s): None.

(2) Disclosure of professional qualifications of board directors and independence information of independent directors

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

Board director Lee-chiou Chang	1. 5 years or more of work experience needed for company business: yes 2. Current positions are The CEO of Sun Ten Group.、Chairman of Panion &BF Biotech Inc. 、Chairman of Shun Tian International Consulting Co., Ltd、Chairman of Herbiotek Co., Ltd、Chairman of Cheng Fong Chemical Co., Ltd、Chairman of Ho Tung Chemical Corp. 、Chairman of YH Bio Co., Ltd、Chairman of Viarich Biotechnology Co., Ltd.、Director of FOCI Fiber Optic Communications,Inc.、Director of Triknight Capital Corporation、Director of Formosan Union Chemical Corporation、Independent director / audit committee member / remuneration committee member of T3EX Global Holdings Corp.、Independent director / audit committee member / remuneration committee member of Acme Electronics Corporation、Independent director / audit committee member / remuneration committee member of Taiwan Hopax Chemicals Mfg.Co.,Ltd. 3. Circumstances listed in Article 30 of the Company Act: none	Not applicable	3
Independent director Mei-huei Li	1. 5 years or more of work experience needed for company business: yes 2. Current positions are Independent director / audit committee member / remuneration committee member of FOCI; Board chairman, Innova Vision Inc.; Representative of institutional shareholder, Advagene Biopharma Co., Ltd. 3. Circumstances listed in Article 30 of the Company Act: none	The company's independent directors all meet the Article 3, Paragraph 1 of "Regulations Governing Appointment of Independent	None

Independent director Li-jen Kuo	1. 5 years or more of work experience needed for company business: yes 2. Current position are Professor, Department of Educational Management / Graduate School of Culture and Education Law, National Taipei University of Education; Independent director / audit committee member / remuneration committee member of FOCI 3. Circumstances listed in Article 30 of the Company Act: none	Directors and Compliance Matters for Public Companies”	None
Independent director Tzu-ming Wang	1. 5 years or more of work experience needed for company business: yes 2. Worked as director of the Taipei National Taxation Bureau of the Ministry of Finance , Now major experiences are Independent director / audit committee member / remuneration committee member of FOCI; Independent director / audit committee member / remuneration committee member of Ho Tung Chemical Corp. 3. Circumstances listed in Article 30 of the Company Act: none		1

Note 1: Professional qualifications and experience: Please indicate individual directors professional qualifications and experience. If they are audit committee members and have accounting or finance capabilities, they shall indicate their background and work experience in accounting or finance. Besides, the company shall indicate whether there are any circumstances according to Article 30 of the Company Act.

Note 2: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.

Note 3: The table shows the information of the directors in office as of the printing date of the annual report. The former director of the Company, "Beolym Corporation" of the British Virgin Islands, was dismissed naturally on March 4, 2024 because the balance of the shares held after transfer was less than one-half of the shares held at the time of its appointment, and in accordance with Article 197 of the Company Act, a director is dismissed naturally when he has transferred more than one-half of the shares held at the time of the appointment during the term of office. Therefore, on March 4, 2024, BEOLYM CORPORATION of the British Virgin Islands and its representative, Hsin-tse Tsai, was dismissed as a director and insider.

(3) Board diversity and independence

A. Board diversity:

The FOCI's "Corporate Governance Best Practice Principles" 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:

a. Basic conditions and values: gender, age, nationality, and culture; and
b. 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	ROC	M				✓						✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Lee-chiou Chang		M					✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ting-ta Hu		M	✓		✓							✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mei-huei Li		F				✓			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Li-jen Kuo		F			✓				✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Tzu-ming Wang		M					✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Note：The former director of the Company, "Beolym Corporation" of the British Virgin Islands, was dismissed naturally on March 4, 2024 because the balance of the shares held after transfer was less than one-half of the shares held at the time of its appointment, and in accordance with Article 197 of the Company Act, a director is dismissed naturally when he has transferred more than one-half of the shares held at the time of the appointment during the term of office. Therefore, on March 4, 2024, BEOLYM CORPORATION of the British Virgin Islands and its representative, Hsin-tse Tsai, was dismissed as a director and insider.

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

The former director of the Company, "Beolym Corporation" of the British Virgin Islands, was dismissed before the date of publication of the annual report. The company will conduct comprehensive re-election directors in the 2024 regular shareholders meeting. FOCI's current board of directors is composed of 6 directors, including 3 independent directors and 3 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, 67% or 4 of the board directors are male, and 33% or 2 are female. We will try our best to increase the number of female directors to achieve the goal.

B. Independence of board of directors: FOCI’s board of directors currently has 6 members, including 3 board directors and 3 independent directors.16.7% of the directors are FOCI’s employees, and 50% of the directors are independent. For the seniority as independent directors, two has been an independent director for more than 3 years and one 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 16, disclosure of professional qualifications of board directors and independence information of independent directors, of the Report). For the education backgrounds, experiences, genders, and worker experiences, see page 13, Information of board directors, of the Report.

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

1 Apr 2024

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	770,805	0.78	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, BKS Tec Corp.	None	None	None	None
GM of FOCI Shanghai and Zhongshan	ROC	Chun-ying Kung	F	2001.6.1	778,000	0.79	0	0	0	0	M. Physics, Chung Yuan Univ.; FOCI General Manager/ Business Div, VP/ Production Div., 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	124,730	0.13	5,423	0.01	0	0	M. Physics, Chung Yuan Univ, RD Div.,VP	None	None	None	None	None
VP	ROC	Shy-jge Wang	M	2010.7.1	156,270	0.16	0	0	0	0	MBA, National Central Univ.; VP, FOCI Business Strategy Planning Center; director of dept. of business management, Lightsonic Optoelectronics Inc.	None	None	None	None	None
Director	ROC	Ya-fang Yu	F	2022.11.3	200,000	0.20	0	0	0	0	M Financial Law , Soochow Univ.; M Financial , National Chung Cheng Univ.; Associate manager of finance and administrative, iStart-Tek; manager of finance, Oriental Petrochemical; Manager, dept. of finance, Winstron /Wistronoptronic	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: Mr Shi-Hsiung Chu, former senior director, was relieved from Insider on 9 Nov 2023 due to a reassignment.
Note 3: 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.

(III). Remuneration paid during the most recent fiscal year (2023) to directors, general manager, and VPs:

1. Remuneration for board directors

Remunerations for general board directors and independent directors

31 Dec 2023; 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(s) other than a subsidiary (note 12)
			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 (note 7)	FOCI	All companies in financial statement (note 7)	Cash amount	Stock amount	Cash amount	Stock amount	FOCI	All companies in financial statement	
General board directors	Chairman	Song-fure Lin	0	0	0	0	0	0	50	50	Total 50 0.41%	Total 50 0.41%	6,027	6,027	108	108	0	0	0	0	Total 6,185 51.29%	Total 6,185, 51.29%	None
	Dir.	Lee-chiou Chang																					
	Dir (Note11)	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	75	75	Total 3,675, 30.48%	Total 3,675, 30.48%	0	0	0	0	0	0	0	0	Total 3,675, 30.48%	Total 3,675, 30.48%	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. (was dismissed on March 4, 2024);Hsin-tse Tsai, legal representative of Beolym Corp. (was dismissed on March 4, 2024); Ting-ta Hu	Song-fure Lin ; Lee-chiou Chang ; Beolym Corp. (was dismissed on March 4, 2024);Hsin-tse Tsai, legal representative of Beolym Corp. (was dismissed on March 4, 2024); Ting-ta Hu	Song-fure Lin ; Lee-chiou Chang ; Beolym Corp. (was dismissed on March 4, 2024);Hsin-tse Tsai, legal representative of Beolym Corp. (was dismissed on March 4, 2024)	Song-fure Lin ; Lee-chiou Chang ; Beolym Corp. (was dismissed on March 4, 2024);Hsin-tse Tsai, legal representative of Beolym Corp. (was dismissed on March 4, 2024)
≥ 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				
≥ NT$ 5,000,000 and < NT$ 10,000,000			Ting-ta Hu	Ting-ta Hu
≥ 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 name of each director shall be stated separately (for a corporate shareholder, the names of the corporate shareholder and its representative shall be stated separately) and the names of the ordinary directors and independent directors shall be stated separately, based on the amount of the aggregated remuneration items paid to each. If a director concurrently serves as a general manager or an assistant general manager, please complete this Table and Table 3-1, or Tables 3-2-1 and 3-2-2.

Note 2: This refers to director base compensation in the most recent fiscal year (including director salary, duty allowances, severance pay, and various rewards and incentives, etc.).

Note 3: Please fill in the amount of director profit-sharing compensation approved by the board of directors for distribution for the most recent fiscal year.

Note 4: This refers to director expenses and perquisites in the most recent fiscal year (including travel expenses, special disbursements, stipends of any kind, and provision of facilities such as accommodations or vehicles, etc.). If housing, car or other form of transportation, or personalized expenses are provided, disclose the nature and cost of the property provided, the actual or fair market rent , fuel expenses, and any other amounts paid. Additionally, if a driver is provided, please add a note explaining the relevant base compensation paid by the Company to the driver, but do not include it in the calculation of the director remuneration.

Note 5: This includes any remuneration received by a director for concurrent service as an employee in the most recent year (including concurrent service as general manager, assistant general manager, other managerial officer, or non-managerial employee) including salary, duty allowances, severance pay, rewards, incentives, travel expenses, special disbursements, stipends of any kind, and provision of facilities such as accommodations or vehicles, etc. If housing, car or other form of transportation, or personalized expenses are provided, disclose the nature and cost of the property provided, the actual or fair market rent, fuel expenses, and any other amounts paid. Additionally, if a driver is provided, please add a note explaining the relevant base compensation paid by the Company to the driver, but do not include it in the calculation of the director remuneration. Additionally, salary expenses recognized as share-based payment under IFRS 2—including employee share subscription warrants, new restricted employee shares, and participation in share subscription under a rights offering, etc.—should be included in the calculation of remuneration.

Note 6: This refers to employee profit-sharing compensation (including stocks and cash) received by a director for concurrent service as an employee in the most recent fiscal year (including concurrent service as general manager, assistant general manager, other managerial officer, or non-managerial employee). Disclose the amount of profit-sharing compensation approved or expected to be approved by the board of directors for distribution for the most recent fiscal year. If the amount cannot be forecasted, disclose the amount expected to be distributed by calculating pro-rata to the amount that was actually distributed in the preceding fiscal year. Table 1-3 should also be completed.

Note 7: Disclose the total amount of remuneration in each category paid to the directors of the Company by all companies in the consolidated financial report (including the Company)

Note 8: Disclose the names of the directors in the respective ranges into which they fall based on the sum total of the remuneration in the indicated categories paid to each director by the Company

Note 9: Disclose the names of the directors in the respective ranges into which they fall based on the sum total of the remuneration in the indicated categories paid to each director of the Company by all companies in the consolidated financial report (including the Company)

Note 10: Net income means the net income after tax on the parent company only or individual financial report for the most recent fiscal year.

Note 11: The former director of the Company, "Beolym Corporation" of the British Virgin Islands, was dismissed naturally on March 4, 2024 because the balance of the shares held after transfer was less than one-half of the shares held at the time of its appointment, and in accordance with Article 197 of the Company Act, a director is dismissed naturally when he has transferred more than one-half of the shares held at the time of the appointment during the term of office. Therefore, on March 4, 2024, BEOLYM CORPORATION of the British Virgin Islands and its representative, Hsin-tse Tsai, was dismissed as a director and insider.

Note 12: a. In this column, specifically disclose the amount of remuneration received by the directors of the Company from investee enterprises other than subsidiaries or from the parent company (if none, state "None").

b. If directors of the Company have received remuneration from investee enterprises other than subsidiaries or from the parent company, that remuneration shall be added into the amount in Column I of the Remuneration Range Table, and the name of that column shall be changed to "Parent company and all investee enterprises."

c. Remuneration means remuneration received by directors of the Company for serving in capacities such as director, supervisor, or managerial officer at investee companies other than subsidiaries or at the parent company, including base compensation, profit-sharing compensation (including employee, director, and supervisor profit-sharing compensation) and expenses and perquisites.

＊This table is for information disclosure purposes only and is not intended to be used for tax purposes, as the remuneration disclosed in this table differs from the concept of income under the Income Tax Act.

Note 13: The remuneration classes table is include the expenses for professional service of 2023 of the representative, Hsin-tse Tsai of Beolym Corporation.

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 2023; 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(s) 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	7,487	7,487	401	401	8,537	8,537	0	0	0	0	Total 16,425 136.22%	Total 16,425 136.22%	None
GM of FOCI Shanghai and Zhongshan	Chun-ying Kung													
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	Ching-wei Wei, Shy-jge Wang	Ching-wei Wei, Shy-jge Wang
≥ NT$ 3,500,000 and < NT$ 5,000,000	Chun-ying Kung	Chun-ying Kung
≥ NT$ 5,000,000 and < NT$ 10,000,000	Ting-ta Hu	Ting-ta Hu
≥ 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 2023 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: This includes salary, duty allowances, and severance pay to the general manager(s) and assistant general manager(s) in the most recent fiscal year.

Note 3: This includes the amounts of all types of rewards, incentives, travel expenses, special disbursements, stipends of any kind, provision of facilities such as accommodations or vehicle, and other compensation to the general manager(s) and assistant general managers(s) in the most recent fiscal year. If housing, car or other form of transportation, or personalized expenses are provided, disclose the nature and cost of the property provided, the actual or fair market rent, fuel expenses, and any other amounts paid. Additionally, if a driver is provided, please add a note explaining the relevant base compensation paid by the company to the driver, but do not include it in the calculation of the director remuneration. Additionally, salary expenses recognized as share-based payment under IFRS 2—including employee share subscription warrants, new restricted employee shares, and participation in share subscription under a rights offering, etc.—should be included in the calculation of remuneration.

Note 4: This refers to employee profit-sharing compensation (including stocks and cash) received by the general manager(s) and assistant general manager(s) as approved or expected to be approved by the board of directors for the most recent fiscal year (including concurrent service as general manager, assistant general manager, other managerial officer, or non-managerial employee). If the amount cannot be forecasted, disclose the amount expected to be distributed by calculating pro-rata to the amount that was actually distributed in the preceding fiscal year. Table 1-3 should also be completed.

Note 5: Disclose the total amount of remuneration in each category paid to the general manager(s) and assistant general manager(s) by all companies in the consolidated financial report (including the Company).

Note 6: Disclose the names of the general manager(s) and assistant general manager(s) in the respective ranges into which they fall based on the sum total of the remuneration in the indicated categories paid to each general manager and assistant general manager by the Company.

Note 7: Disclose the names of the general manager(s) and assistant general manager(s) in the respective ranges into which they fall based on the sum total of the remuneration in the indicated categories paid to each general manager and assistant general manager of the Company by all companies in the consolidated financial report (including the Company).

Note 8: Net income means the net income after tax on the parent company only or individual financial report for the most recent fiscal year.

Note 9:
a. In this column, specifically disclose the amount of remuneration received by the general manager(s) and assistant general manager(s) of the Company from investee enterprises other than subsidiaries or from the parent company (if none, state "None").
b. If general manager(s) or assistant general manager(s) of the Company have received remuneration from investee enterprises other than subsidiaries or from the parent company, that remuneration shall be added into the amount in Column E of the Remuneration Range Table, and the name of that column shall be changed to "Parent company and all investee enterprises."
c. Remuneration means remuneration received by the general manager(s) and assistant general manager(s) of the Company for serving in capacities such as director, supervisor, or managerial officer at investee companies other than subsidiaries or at the parent company, including base compensation, profit-sharing compensation (including employee, director, and supervisor profit-sharing compensation) and expenses and perquisites.

＊This table is for information disclosure purposes only and is not intended to be used for tax purposes, as the remuneration disclosed in this table differs from the concept of income under the Income Tax Act.

4. Names of managers receiving employee pays and the distribution:

The Company did not distribute employee remuneration in 2023.

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 parent company only 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 parent company only or individual financial report:

In:NT$1,000；%

Item / Title	FOCI				All companies in consolidated report			
	2022		2023		2022		2023	
	Total	% in net income	Total	% in net income	Total	% in net income	Total	% in net income
Directors’ remuneration	8,876	18.87	9,860	81.77	8,876	18.87	9,860	81.77
Supervisors’ remuneration	N/A	-	N/A	-	N/A	-	N/A	-
GM and VPs’ remuneration	11,181	23.78	16,425	136.22	11,181	23.78	16,425	136.22
Net income	47,021	-	12,058	-	47,021	-	12,058	-

The total director's remuneration for the fiscal year 2023, as well as the total remuneration of the general manager and deputy general managers, increased compared to the fiscal year 2022. This increase is due to the company's cash capital increase in 2023, where Director Ting-ta Hu concurrently served as the general manager along with three other deputy general managers, who participated in the employee subscription for shares in the cash capital increase, thus included in the remuneration calculation. The post-tax net profit for the fiscal year 2023 decreased compared to the fiscal year 2022, leading to an increase in the proportion of remuneration to post-tax net profit.

(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 and 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.

(IV). State of the company’s implementation of corporate governance:

1. Operations of board of directors

The board of directors had 5 meetings in the most recent year (2023) with the following directors attending:

Title	Name	Actual attendance	Attendance by proxy	Actual attendance %	Remark
Chairman	Song-fure Lin	5	0	100%	
Director	Lee-chiou Chang	5	0	100%	
Director	Ting-ta Hu	5	0	100%	
Director	Hsin-tse Tsai, legal representative of Beolym Corp.	5	0	100%	Dismissed on March 4, 2024.
Ind. director	Mei-huei Li	5	0	100%	
Ind. director	Li-jen Kuo	5	0	100%	
Ind. director	Tzu-ming Wang	5	0	100%	

Other mandatory provision items：

1. If any of the following circumstances exists, specify the board meeting date, meeting session number, content of the motion(s), the opinions of all the independent directors, and the measures taken by the Company based on the opinions of the independent directors：
   (1) Any matter under Article 14-3 of the Securities and Exchange Act: The Company has established an Audit Committee, so the provisions of Article 14-3 do not apply to the Company. Please refer to the operation overview of audit committee (page 31) for an description of the matters listed in Article 14-5 of the Securities and Exchange Act.
   (2) In addition to the matters referred to above, any dissenting or qualified opinion of an independent directory that is on record or stated in writing with respect to any board resolution.: At the 10th meeting of the Company’s 11th Board of Directors, held on August 3, 2023, Mei-hui Li an independent director of the Company, expressed a disclaimer opinion on the Company’s cash capital increase, and after the chairman consulted the other directors present, the proposal was approved.
2. The status of implementation of recusals of directors with respect to any motions with which they may have a conflict of interest: specify the director’s name, the content of the motion, the cause for recusal, and whether and how the director voted.：

Date of board meeting	Implementation of Directors’ recusal of interest-related motions
The 9th Meeting of the 11th Board of Directors 2023.5.5	● Considered the 2022 distribution of remuneration to the Company’s directors. It was approved as drafted, except for the recusal from voting by Chairman Song-fure Lin, Director Lee-chiou Chang, Director Hsin-tse Tsai, and Director Ting-ta Hu due to their interests, after acting chairman of the meeting Mei-huei Li had consulted with the remaining directors present. ● Considered the 2022 distribution of managerial officers' remuneration of the Company. It was approved as drafted, except for Director Ting-ta Hu’s recusal from voting due to his interest in serving as the Company's general manager, after the chairman of the meeting had consulted with the remaining directors present.

The 11th Meeting of the 11th Board of Directors 2023.10.16	● The allocation of the number of shares granted to managerial officers in the Company's issuance of new shares for cash capital increase in 2023 was approved as drafted, except for Director Ting-ta Hu's recusal from voting due to his interest in serving as the Company's general manager, after the chairman of the meeting had consulted with the remaining directors present. ● To amend "Summary of current remuneration items for directors, supervisors and managerial officers" was approved as drafted, except for Director Ting-ta Hu's recusal from voting due to his interest in serving as the Company's general manager, after the chairman of the meeting had consulted with the remaining directors present.
The 13th Meeting of the 11th Board of Directors 2024.2.22	● To set the "Employee Stock Ownership Trust Measures" was approved as drafted, except for Director Ting-ta Hu's recusal from voting due to his interest in serving as the Company's general manager, after the chairman of the meeting had consulted with the remaining directors present.

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 2023 to 31 Dec 2023	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	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. 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. Auditing committee: Participation in company operations, knowledge about audit committee's duties, improvement of quality of resolutions made by functional committee, composition and structure of functional committee, election of committee members, and internal control. Remuneration committee: Participation in company operations, knowledge about remuneration committee's duties, improvement of quality of resolutions made by functional committee, composition and structure of functional committee, and election of committee members

4. Give an evaluation of the targets that were adopted for strengthening of the functions of the board during the current and immediately preceding fiscal years (e.g., establishing an audit committee, increasing information transparency, etc.) and the measures taken toward achievement thereof.:
   (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 officers.
   (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 2023 were excellent or better with no major improvements needed, and presented in the board of directors report on 22 Feb 2024. 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 “Procedures for Handling Material Inside Information” and “Procedures for the Prevention of 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 (2023), 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	Tzu-ming Wang	4	0	100%	

Other matters to be noted:

1. If any of the following circumstances exists, specify the audit committee meeting date, meeting session number, content of the motion(s), the content of any dissenting or qualified opinion or significant recommendation of the independent directors, the outcomes of audit committee resolutions, and the measures taken by the Company based on the opinions of the audit committee:

(1) Any matter under Article 14-5 of the Securities and Exchange Act:

Date and session of Audit Committee	Motion	Independent Directors' adverse opinion, qualified opinion or major suggestion	Audit Committee’s resolution	The company's handling of the audit committee's opinions
2023.02.23 The 7th Meeting of the 2nd Audit Committee	1.The Company's Capital Expenditures 2.The Company's 2022 Business Report and Financial Statements 3. The Company’s 2022 Earnings Distribution 4. Assessment of the effectiveness of the internal control system and the issuance of the "Internal Control System Statement" 5. Appointment of the Company's Attest Certified Public Accountant for 2023	Motion 1 ： Mei-huei Li the chairman of the meeting and an independent director, and Li-jen Kuo , an independent director, asked whether the supplier evaluation and price inquiry process was conducted in this case. Tzu-ming Wang , an independent director, questioned whether this case was an executed case or a case in planning; There should be a procedural discussion for this case, and the price, machine content, benefits, etc., related to this case should be discussed by the Board of Directors. Motion 2~5 ：None.	Motion 1 ： After the chairman of the meeting had consulted all members present, some parts of the agenda were deleted, and the rest was passed as drafted. Motion 2~5 ： It was passed as drafted after the chairman of the meeting had consulted with all present Directors.	Submitted to the 8th meeting of the 11th Board of Directors to be handled in accordance with the resolution of the Board of Directors
2023.5.5 The 8th Meeting of the 2nd	1. The Company's Consolidated Financial Statements for the First Quarter of 2023	None	It was passed as drafted after the chairman of the meeting had consulted with all	Submitted to the 9th meeting of the 11th Board of Directors to be handled in

Audit Committee			present Directors.	accordance with the resolution of the Board of Directors
2023.8.3 The 9th Meeting of the 2nd Audit Committee	1. The Company's Consolidated Financial Statements for the Second Quarter of 2023 2. The Company's plan of issuing new shares for cash capital increase 3.Determination of the record date for the capital increase through issuance of new shares upon conversion of the Company's second domestic unsecured convertible bonds	Mei-huei Li , independent director, abstained from voting.	With the exception of Mei-huei Li , an independent director, who abstained from voting, the motion was approved as drafted to be considered by the Board of Directors, after the chairman of the meeting had consulted the remaining members present.	Submitted to the 10th meeting of the 11th Board of Directors to be handled in accordance with the resolution of the Board of Directors
2023.11.09 The 10th Meeting of the 2nd Audit Committee	1. The Company's Consolidated Financial Statements for the Third Quarter of 2023 2. The Company's 2024 Business Plan 3. The Company's 2024 Audit Program 4. Amendment to the Company's "Schedule of Authorities and Responsibilities”	None	It was passed as drafted after the chairman of the meeting had consulted with all present Directors.	Submitted to the 12th meeting of the 11th Board of Directors to be handled in accordance with the resolution of the Board of Directors
2024.2.22 The 11th Meeting of the 2nd Audit Committee	1. The Company's 2023 Business Report and Financial Statements 2. The Company’s 2023 Earnings Distribution 3. Assessment of the effectiveness of the internal control system and the issuance of the "Internal Control System Statement" 4.Proposed Amendments to Certain Provisions of the Company’s "Procedure for Board of Directors Meetings ” 5. Assessment of the Independence and Competence of the Company's Attest CPAs 6. Endorsement and Guarantee for the Company’s subsidiary	None	It was passed as drafted after the chairman of the meeting had consulted with all present Directors.	Submitted to the 13th meeting of the 11th Board of Directors to be handled in accordance with the resolution of the Board of Directors

(2) In addition to the matters referred to above, any matter that was not approved by the audit committee but was approved by a two-thirds or greater majority resolution of the board of directors.:none.

2. Implementation of recusals of independent directors with respect to any motions with which they may have a conflict of interest: specify the independent director’s name, the content of the

motion, the cause for recusal, and whether and how the independent director voted.: none.

3. Communication between the independent directors and the chief internal audit officer and the CPAs that serve as external auditor (including any significant matters communicated about with respect to the state of the company's finances and business and the method(s) and outcomes of the communication.)

(1) Communications between independent directors, head of internal auditing and accountants

I. FOCI's independent directors have a meeting with CPAs at least once every quarter. CPAs report to the directors on their audits or reviews 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.

II. 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.

III. 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 and the head of internal auditing are well communicated.

Their communications in 2023 are summarized as follows:

Date	Key points of communications
23 Feb 2023	Audit report, Q4 2022 "Internal audit system statement", 2022
5 May 2023	Audit report, Q1 2023
3 Aug 2023	Audit report, Q2 2023
9 Nov 2023	Audit report, Q3 2023 Audit plan, 2024

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

FOCI's independent directors and CPAs are well communicated. Important communications in 2023 are summarized as follows:

Date	Key points of communications
23 Feb 2023	Results of Audit of 2022 Consolidated and Standalone Financial Statements and Explanation of Communication Key Points I. Scope of the audit Review of the Group's financial statements Materiality II. Audit findings and communication Audit Report Key audit items Impact of the novel coronavirus pandemic Related party transactions Major adjustments and unadjusted entries Material accounting estimates and transactions III. Other communication matters and updates of ordinances IV. Independence V. Audit quality indicators
5 May 2023	Results of Review of Consolidated Financial Statements for the First Quarter of 2023 and Explanation of Communication Key Points I. Scope of the review

	II. Communication matters Review Report Material accounting estimates and transactions Major adjustments and unadjusted entries III. Independence IV. Expected communication plan with governance units
3 Aug 2023	Results of Review of Consolidated Financial Statements for the Second Quarter of 2023 and Explanation of Communication Key Points I. Scope of the review II. Communication matters Review Report Material accounting estimates and transactions Major adjustments and unadjusted entries III. Independence IV. Expected communication plan with governance units
9 Nov 2023	Results of Review of Consolidated Financial Statements for the Third Quarter of 2023 and Explanation of Communication Key Points I. Scope of the review II. Communication matters Review Report Material accounting estimates and transactions Major adjustments and unadjusted entries III. Independence IV. Expected communication plan with governance units

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 set the " Corporate Governance Best Practice Principles ", 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 and annual reports also disclose the list of the company's major shareholders, the amount and proportion of shares held.	No deviation
(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	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	
			regulations for risk control and firewall mechanism with related companies.	
(4) Has the Company established internal rules prohibiting insider trading of securities based on undisclosed information?	V		FOCI has operating procedures such as "Procedures for Handling Material Inside Information" and "Procedures for the Prevention of Insider Trading". All parties involved are required to abide by the regulations stipulated in the operating procedures through internal publicity.	No deviation
3. Composition and responsibilities of the board of directors				
(1) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?	V		See page 16, "Disclosure of professional qualifications of board directors and independence information of independent 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 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 performance evaluation on the 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 2023, FOCI's self-assessment results were excellent with no major improvement needed; the results were reported to the board of directors on 22 Feb 2024. In addition, Taiwan Corporate Governance Association was entrusted to conduct an external board effectiveness evaluation in 2021. The evaluation was conducted	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	
			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.	
(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.The CPAs hired by the company were meet the assessment criteria for independence and competence. They qualified to serve as the company's chartered public accountant. The latest year's evaluation result was discussed and approved by the audit committee on Feb 22 2024, submitted to the board meeting on Feb 22 2024.	No deviation

Note1:

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

Evaluation item		Implementation status Yes / No / Summary description	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the reasons
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-audit 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 auditing 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	
7.2	The non-audit service which performed by the firm for FOCI that would affects directly a material item of the audit 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	

Evaluation item		Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the reasons
		Yes	No	Summary description	
9.2	A former partner within one year of disassociating from the firm joins FOCI 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			

Suitability items		Assessment		Remarks
Item	Description	Yes	No	
1	Whether or not the person has the qualifications of a CPA who may practice accounting business	V		
2	Whether or not the person has been subject to disciplinary actions by the competent authorities and the Certified Public Accountants Association or has been subject to any penalties pursuant to Paragraph 3, Article 37 of the Securities and Exchange Act. Article 37 of the Securities and Exchange Act (Regulation of CPA Auditing and Attestation) Paragraph 3 Depending upon the seriousness of mistake or omission committed by a certified public accountant in the attestation of the financial reports referred to in paragraph 1, the Competent Authority may impose any of the following sanctions： (1). Warning (2). Suspension from practicing any attestation under this Act for a period of two years. (3). Voidance of his/her attestation permission.	V		
3	Whether or not the person has knowledge of the industry relevant to the Company	V		
4	Whether or not the person performs financial statement audits in accordance with generally accepted auditing standards and the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, and issues financial statements in accordance with the audit planning schedule.	V		
5	Whether or not the person has exploited the accountant's position to engage in unfair competition in commerce and industry.	V		
6	Whether or not the person proactively provides the latest announced statutory and regulatory changes in accounting, auditing and others to management and any significant differences are fully discussed and communicated.	V		

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, and has set up a corporate governance officer responsible for corporate governance-related businesses. Include performing 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, and handle matters related to board of directors and shareholders' meetings in accordance with the law.	No deviation
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		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 matters related to its shareholder meetings?	V		The Stock Transfer Agency Department of Taishin Securities Co., Ltd. has been appointed for FOCI's stock affairs and shareholders' meetings.	No deviation
7. Information Disclosure				
(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,	V		FOCI's website is set up in both Chinese and English to disclose financial, business and other information. A person is appointed	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	
designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?			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.	
(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 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)?	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 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. 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. 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. 4. Stakeholders' rights: communication channels are available in the investor relations section of FOCI's website for	No deviation

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Implementation status</th><th rowspan="2">Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td></td><td></td><td></td><td>stakeholders for both their and FOCI’s rights and interests.
5. Continuing education for directors and supervisors: The continuing education of FOCI’s directors in 2023 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 refer to the table below for directors’ continuing education.
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.
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.
8. Director insurance: a liability insurance policy for directors and managers is prepared for better corporate governance.</td><td></td></tr>
<tr><td colspan="5">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.
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.</td></tr>
</table>

Continuing education of board directors in 2023

Job title	Name	Organizer	Course	Hours of the course
Chairman	Song-fure Lin	Taiwan Corporate Governance Association	Commercial Litigation and Dispute Resolution Practice Discussion	3
Chairman	Song-fure Lin	Taiwan Corporate Governance Association	Global Future Risks and Opportunities for Sustainable Transformation	3
Director	Lee-chiou Chang	Taiwan Corporate Governance Association	How Does the Board of Directors Monitor ESG Risks and Build Sustainable Corporate Competitiveness?	3
Director	Lee-chiou Chang	Securities and Futures Institute	How Should Directors and Supervisors Supervise Corporate Risk Management and Crisis Management?	3
Director	Ting-ta Hu	Taiwan Corporate Governance Association	Corporate Financial Statement Fraud and Cases	3
Director	Ting-ta Hu	Taiwan Corporate Governance Association	Litigation and Beyond - How to Write a Good Dispute Resolution Clause in a Contract?	3
Director	Hsin-tse Tsai	Taiwan Corporate Governance Association	ESG Trends and Pandemic Environment on Global and Taiwan Tax Reform and Corporate Tax Governance	3
Director	Hsin-tse Tsai	Taiwan Corporate Governance Association	Trade Secret Protection and Non-Competition	3
Independent Director	Mei-huei Li	Taiwan Academy of Banking and Finance	Virtual Worlds Explosion: The Metaverse and the Future of Virtual Worlds	3
Independent Director	Mei-huei Li	Taiwan Corporate Governance Association	Litigation and Beyond - How to Write a Good Dispute Resolution Clause in a Contract?	3
Independent Director	Tzu-ming Wang	Taiwan Corporate Governance Association	Standards for the Exercise of Tasks and Powers of the Board of Directors and Functional Committees	3
Independent Director	Tzu-ming Wang	Taiwan Corporate Governance Association	How to Effectively Manage Everywhere Risks	3
Independent Director	Li-jen Kuo	Securities and Futures Institute	2030/2050 Green Industrial Revolution	3
Independent Director	Li-jen Kuo	Securities and Futures Institute	How Should Directors and Supervisors Supervise Corporate Risk Management and Crisis Management?	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 5th 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.

A. Develop and periodically review the policies, systems, criteria and structures of performance evaluation and remuneration for board directors and managers; and

B. Evaluate and develop remunerations of board directors and managers periodically.

(3) Information of remuneration committee members

<table>
<tr><th colspan="2">Conditions
Title
Name</th><th>Professional qualification and experience</th><th>Status of independence</th><th>No. of companies that the remuneration committee members receives pay from</th></tr>
<tr><td>Convenor / ind. director</td><td>Mei-huei Li</td><td rowspan="3">See the information disclosure Directors' professional qualification and independence on page 16.</td><td rowspan="4">(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.</td><td>0</td></tr>
<tr><td>Ind. director</td><td>Li-jen Kuo</td><td>0</td></tr>
<tr><td>Ind. director</td><td>Tzu-ming Wang</td><td>1</td></tr>
<tr><td>Member</td><td>Chi-jen Chou</td><td>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.</td><td>1</td></tr>
</table>

(4) Operations of remuneration committee

A. FOCI's remuneration committee has four members.

B. The term of members: from 5 Aug 2021 to 4 Jul 2024; the committee had 3 meetings in 2023. 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	Chi-Jen Chou (current)	3	0	100%	

Other matters to be stated:

1. If the board of directors does not accept, or amends, any recommendation of the remuneration committee, specify the board meeting date, meeting session number, content of the recommendation(s), the outcome of the resolution(s) of the board of directors, and the measures taken by the Company with respect to the opinions given by of the remuneration committee (e.g., if the salary/compensation approved by the board is higher than the recommendation of the remuneration committee, specify the difference(s) and the reasons).: none.
2. With respect to any matter for resolution by the remuneration committee, if there is any dissenting or qualified opinion of a committee member that is on record or stated in writing, specify the remuneration committee meeting date, meeting session number, content of the motion, the opinions of all members, and the measures taken by the Company with respect to the members' opinion.: none.
3. Agendas and resolutions of remuneration committee meetings in the most recent year and how members' comments were handled:

Remuneration committee	Agendas and resolutions
The 5th Meeting of the 5th Compensation Committee 2023.2.23	Motion：1. Distribution of Remuneration to the Company's Directors and Employees in 2022.
	Members' opinions: No objections or reservations. Resolution result: The resolution was passed as drafted after the chairman of the meeting had consulted with all members present. The Company's handling of the opinions of the Remuneration Committee: Submitted to the Board of Directors for it to be approved by all directors present.
The 6th Meeting of the 5th Compensation Committee 2023.5.5	Motions： 1. The distribution of remuneration to the Company's directors in 2022 2. The distribution of remuneration to the Company's managerial officers in 2022. 3.The Company's proposed appointment of a new corporate governance supervisor.
	Members' opinions: No objections or reservations. Resolution result: Item 1: It was passed as drafted after the chairman of the meeting had consulted with all present directors. Item 2: It was passed as drafted after the chairman of the meeting had consulted with all present directors. Item 3: It was passed as drafted after the chairman of the meeting had consulted with all present directors.

		The Company's handling of the opinions of the Remuneration Committee: Submitted to the Board of Directors for it to be approved by all directors present.	
	The 7th Meeting of the 5th Compensation Committee 2023.10.16	Motions: 1. The enactment of the Company's "Regulations on Employee Stock Purchase for Cash Capital Increase". 2. The allocation of the number of shares granted to managerial officers in the Company's issuance of new shares for cash capital increase in 2023. 3. The amendment to the Company’s " Summary of current remuneration items for directors, supervisors and managerial officers”.	
		Members’ opinions: No objections or reservations. Resolution result: Item 1: It was passed as drafted after the chairman of the meeting had consulted with all present directors. Item 2: It was passed as drafted after the chairman of the meeting had consulted with all present directors. Item 3: It was passed as drafted after the chairman of the meeting had consulted with all present directors. The Company's handling of the opinions of the Remuneration Committee: Submitted to the Board of Directors for it to be approved by all directors present.	

(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:

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 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		1. The company's Corporate Strategy Development Center is responsible for integrating and promoting corporate sustainability development, with the General Manager authorized by the Board of Directors to oversee and supervise. 2. Adhering to the company's "Sustainability Guidelines," the Corporate Strategy Development Center is responsible for integrating and promoting corporate sustainability development as the highest-level decision-making center for sustainability within the company. The "Greenhouse Gas Inventory Implementation Committee" has been established, with the Deputy General Manager of the Corporate Strategy Development Center authorized by the Board of Directors to convene the implementation committee and form verification teams for the parent company and subsidiaries. The latest report was presented to the Board of Directors on November 9, 2023, regarding the execution status. The company actively promotes corporate sustainability development, collaborating with senior executives from various fields to review the company's core operational capabilities and formulate medium to long-term sustainability development plans.	No deviation
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		1. The company has established the " Sustainable Development Best Practice Principles," disclosed on the company's website, and conducts periodic reviews of the effectiveness of corporate social responsibility implementation. It considers the trends in domestic and international corporate social responsibility and promotes various corporate social activities. 2. The company has established a risk assessment management procedure and, based on the assessed risks, has formulated the following relevant risk management policies or strategies: Environment: (1) As the company's main markets are in the United States and the European Union, which require products to comply with environmental regulations, the company has obtained environmental verification under "ISO 14001" and regularly maintains certification. (2) The company conducts greenhouse gas	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	
			emission inventories according to ISO 14064 to assess the impacts faced by the company's operations. (3) Annual internal audit plans are developed to ensure compliance with relevant environmental regulations and to audit operational processes for compliance. Social: Regular fire drills and occupational safety education and training are conducted annually to cultivate employees' abilities in emergency response and self-safety management. Corporate Governance: (1) Compliance with socio-economic laws and regulations: Through the establishment of governance structures and the implementation of internal control mechanisms, the company ensures that all personnel and operations comply with relevant legal regulations. (2) Strengthening director functions: Training programs are provided for directors on relevant topics, including updates on the latest laws, institutional developments, and policies. Directors are also covered by directors' liability insurance to safeguard against litigation or claims. (3) Stakeholder communication: Various communication channels are established to actively communicate and reduce conflicts and misunderstandings. An investor mailbox is set up, managed by a spokesperson responsible for responding to inquiries.	
3. Environmental Issues				
(1) Has the Company set an environmental management system designed to industry characteristics?	V		1. The company has established an environmental policy and obtained ISO 14001 certification. We actively implement an environmental management system, comply with regulations for air pollution prevention, and ensure proper handling of wastewater and waste disposal. We promote the concept of environmental protection and energy conservation, aiming to reduce resource wastage. Certification Type: ISO-14001:2015 2. The company follows ISO 14001 to establish an environmental management system and consistently undergoes third-party verification. In accordance with ISO 14064-1, we have initiated greenhouse gas inventories since 2022.	No deviation

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Implementation status</th><th rowspan="2">Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td>(2) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?</td><td>V</td><td></td><td>1. The company is committed to reducing energy and water consumption, managing waste and resource recycling, as well as controlling pollution emissions. We actively promote the reuse of various waste materials and resources.
2. We actively implement measures to reduce energy consumption by selecting equipment with high energy efficiency and energy-saving designs. This helps to minimize both corporate and product energy consumption while expanding the use of renewable energy sources, thereby optimizing energy efficiency. The company's use of raw materials complies with EU regulations such as RoHS, REACH, and halogen-free specifications to reduce environmental impact. In green manufacturing, we minimize unnecessary resource wastage, seek waste reduction, and reuse defective products. Throughout the value chain, we collaborate to recycle and share packaging materials, maximizing the benefits of the circular economy.</td><td>No deviation</td></tr>
<tr><td>(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?</td><td>V</td><td></td><td>1. The company has identified feasible opportunities and developed response measures through a risk management mechanism to address climate risks. In terms of climate change mitigation, we focus on initiatives such as green operations, energy management, carbon disclosure, and green building development. Regarding climate change adaptation, we have implemented strengthened foundational measures and initiated plans for sustainable operational capabilities, including the construction of renewable energy infrastructure.</td><td>No deviation</td></tr>
<tr><td>(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 wastes?</td><td>V</td><td></td><td>1. The greenhouse gas emissions, water usage, and total waste weight data of The company cover the scope of the Hsinchu plant. The statistics and intensity are as follows:
Greenhouse Gas Emissions：
<table>
<tr><td>Year</td><td>Scope 1 (Metric tons of CO2e per year)</td><td>Scope 2 (Metric tons of CO2e per year)</td><td>Scope 3 (Metric tons of CO2e per year)</td></tr>
<tr><td>2021</td><td>84.4554</td><td>978.5334</td><td>214.0204</td></tr>
<tr><td>2022</td><td>163.1499</td><td>854.4961</td><td>192.2992</td></tr>
</table>
Water consumption：
<table>
<tr><td>Year</td><td>Total water consumption (thousand metric tons)</td><td>Water consumption per unit area (metric tons/m2)</td></tr>
<tr><td>2022</td><td>11.5</td><td>1.322</td></tr>
<tr><td>2023</td><td>10.6</td><td>1.036</td></tr>
</table>
</td><td>No deviation</td></tr>
</table>

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Implementation status</th><th rowspan="2">Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td></td><td></td><td></td><td>Waste：
<table>
<tr><th>Year</th><th>Hazardous industrial waste (metric tons)</th><th>General industrial waste (metric tons)</th><th>Unit product output (KG)</th></tr>
<tr><td>2022</td><td>0.17</td><td>11.9806</td><td>2.15</td></tr>
<tr><td>2023</td><td>0.16</td><td>10.3253</td><td>2.03</td></tr>
</table>
<table>
<tr><th>Year</th><th>Total electricity consumption (MWH)</th></tr>
<tr><td>2022</td><td>1,922</td></tr>
<tr><td>2023</td><td>1,726</td></tr>
</table>
2. In 2023, there was a 2% decrease in product electricity consumption compared to 2022. The future goal (2024-2026) is to reduce unit product electricity consumption by 3% compared to 2023, with a focus on energy efficiency. The company uses raw materials that comply with the EU's RoHS regulations, including reducing material usage through recycling, minimizing pollution from manufacturing processes, and reducing environmental impact. Efforts in green manufacturing aim to minimize unnecessary resource waste, develop waste reduction and reuse technologies, and collaborate with stakeholders across the value chain to promote packaging material recycling and sharing.
The company implements water conservation measures, such as controlling the operating time of cooling water towers to significantly reduce water usage and adopting water-saving measures such as halving toilet flushes and using water-saving faucets. Through water resource management and water-saving technology implementation, approximately 900 metric tons of water have been saved, representing a 4% reduction. The future goal (2024-2026) is to reduce total water consumption by 9% compared to 2023, with a focus on water resource recycling, reuse, and energy-efficient water-saving devices.
By purchasing materials compliant with ROHS and replacing hazardous products, and by recycling recyclable products, the company aims to establish a "zero waste society."
In 2023, The company's waste output was 51,013.1 metric tons, with a unit product waste output of 2.03, representing a 5% decrease compared to the previous year, 2022, thus achieving the annual waste reduction target.
3. In 2022, The company implemented the ISO</td><td></td></tr>
</table>

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary description	
			14064 greenhouse gas inventory system and completed third-party verification this year. The company ensures that the raw materials used comply with the EU's RoHS regulations, aiming to reduce material usage through recycling and minimize pollution from manufacturing processes to reduce environmental impact. Our management policies and operational procedures are formulated in reference to international human rights conventions and regulations of the Republic of China to safeguard equal employment rights concerning race, gender, religion, and other aspects.	
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		The company acknowledges and voluntarily adheres to internationally recognized human rights standards, including the Universal Declaration of Human Rights, the UN Global Compact, the UN Guiding Principles on Business and Human Rights, and the International Labor Organization standards. Through our "Upstream Human Rights Policy," we uphold the protections established in human rights conventions and comply with the requirements set forth by the Responsible Business Alliance (RBA) regarding human rights initiatives.	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	
(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 salary/compensation?	V		1. The company has established work regulations and relevant personnel management rules, covering basic wages, working hours, vacations, retirement benefits, labor insurance benefits, occupational accident compensation, etc., all of which comply with relevant provisions of labor standards laws. The Employee Welfare Committee, generated through employee elections, manages various welfare matters. The company's compensation policy is positively correlated with individual capabilities, contributions to the company, performance, and business performance. Employee Welfare Measures (1) The company establishes an Employee Welfare Committee, which organizes activities such as year-end parties, factory celebrations, and trips annually, and provides birthday vouchers, wedding gifts, childbirth subsidies, etc. (2) Provide health check-up items that exceed regulatory requirements. (3) The company has sports facilities such as basketball, badminton, table tennis, and billiards, and encourages colleagues to establish sports clubs. (4) Provide flexible working hours for employees to choose freely. Workplace Diversity and Equality (1) The company has a maternity health protection plan, providing comprehensive health measures for female colleagues, including lactation rooms and professional on-site doctors and nurses for health education advice. (2) Respect colleagues' religious needs and allow religious activities in the employee rest area during reasonable hours. 2. Business Performance Reflected in Employee Compensation: The company's employee remuneration is allocated according to the company's articles of association, with 5%-15% of the profits of the current year.	No deviation
(3) Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for	V		1. Occupational Safety and Health Policy: The company provides a safe and secure workplace environment for employees, ensuring compliance with relevant regulations such as the Occupational Safety and Health Act, Fire Management Regulations, and Chemical Hazardous Substances Management Regulations. We have established related work guidelines to prevent occupational accidents. We conduct	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	
employees?			regular (twice a year) fire regulation and disaster emergency response drills, organize health check-ups for all employees, periodically hold physical and mental health seminars and courses, as well as events like family days and staff trips. Additionally, The company has an Employee Welfare Committee responsible for handling various employee welfare measures and subsidies. We also provide labor insurance, national health insurance, and group insurance in accordance with the law to protect the rights and interests of employees, supporting their holistic development. Occupational Safety and Health Policy: The safety and health of our employees are our greatest assets. Therefore, protecting employee health and preventing accidents and property losses are The company's goals. Maintaining a safe and healthy working environment and establishing a safety and health system with the participation of all employees are the responsibilities of the general manager and all levels of management. We clearly define safety and health responsibilities and assess their performance, aiming to establish a safe working environment through the participation and efforts of all employees. 2. Labor Work Environment Monitoring: To ensure that workers are protected from harmful substances in the workplace and to provide a safe working environment for them, we conduct work environment monitoring every six months in accordance with occupational safety and health laws. For areas that do not comply with regulations or have exposure to hazards, we implement engineering controls for improvement. The results of the work environment assessment in 2022 and 2023 both met regulatory requirements without any deficiencies. 3. Zero Occupational Accidents in 2023: In 2023, there were zero occupational accidents, achieving the goal of "zero accidents in the workplace." We were awarded a certificate of no accidents by government agencies in recognition of this achievement. Our colleagues take it upon themselves to prioritize workplace safety, urging both colleagues and the company to minimize hazards and risks. 4. Emergency Response Drills: To prevent occupational accidents and ensure employees are prepared to respond effectively, The company conducts emergency response drills annually.	

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary description	
			This year, the number of fire incidents was 0, with no casualties. We also conducted on-site simulated drills for hazards such as fires, power outages, and water shortages, aiming to minimize harm and losses in the event of a real emergency.	
(4) Has the Company established effective career development training programs for employees?	V		The company prioritizes long-term talent development, planning and arranging various internal and external training programs based on organizational needs, departmental requirements, and individual employee needs. These programs aim to enhance and update employees' knowledge and skills, building a rich human capital base. We focus on fostering employees' career capabilities while balancing the cultivation of core professional skills with their holistic development. Comprehensive competency training is provided for supervisors and colleagues at all levels, including newcomer training, professional advancement training, and managerial training. We assist colleagues in continuous learning and growth through diverse learning methods and incorporate the belief in corporate ethics into relevant training courses to cultivate key competencies among employees. In 2023, a total of 565 person-times completed career training, totaling 1150 hours. During regular performance reviews each year, supervisors and employees discuss and set individual annual competency development plans. Through regular review and feedback, we help employees tailor the best development plans for themselves.	No deviation
(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			Uniformity

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary description	
(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?	V		1. The company has established Supplier Management Procedures and Environmental Substance Management Procedures for the management of suppliers, and conducts annual assessments, both scheduled and unscheduled, on the environmental protection and occupational health and safety management systems and performance of key suppliers. Suppliers are required to adhere to relevant regulations concerning environmental protection, occupational health and safety, and labor rights. 2. Evaluation teams composed of engineering, research and development, quality assurance, procurement, and production personnel conduct both written and on-site assessments of suppliers. The focus includes ensuring quality and product safety. Regular and ad-hoc audits are conducted on quality management and hazardous substance management for all trading suppliers. Annual assessments are conducted on the environmental protection and occupational health and safety management systems and performance of key suppliers. Leveraging the company's influence, environmental and safety management is promoted throughout the company's major suppliers via supply chain management, ensuring supplier compliance with environmental, safety, and health regulations. Additionally, raw material suppliers are required to provide a "Green Product Declaration" confirming that their raw materials comply with regulatory standards to ensure safe use. Suppliers are expected to comply with laws and social norms, ensure information security, evaluate human rights and occupational health and safety, and fulfill corporate social responsibility. Only suppliers that pass the evaluation are deemed qualified. Most of the company's domestic and international suppliers are long-term partners. If any supplier poses significant negative impacts on the environment, labor conditions, human rights, or society, the company reserves the right to terminate or cancel contracts.	No deviation
5. Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial		V	The company has established a "Sustainable Development Best Practice Principles" and, in addition to timely revising relevant regulations, actively participates in environmental protection, social services, care, and sponsorship of public welfare activities to fulfill corporate social responsibilities through practical actions.	A sustainability report will be prepared in accordance with legal requirements.

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Implementation status</th><th rowspan="2">Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td>information? Does the company obtain third party assurance or certification for the reports above?</td><td></td><td></td><td></td><td></td></tr>
<tr><td colspan="5">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:
(1) The company has established a Sustainable Development Best Practice Principles, which is disclosed on the company's website. Please refer to the "ESG" section on our website: http://www.foci.com.tw.
(2) The content of our Sustainability Practice Code includes principles related to compliance with regulations, freedom of employment, fair treatment and non-discrimination, salary and benefits, health and safety, environmental protection, communication mechanisms, ethical standards, corporate governance, and promotion of participation, among other areas.</td></tr>
<tr><td colspan="5">7. Other important information to facilitate better understanding of the company’s promotion of sustainable development:
(1) The company encourages employees to care about environmental matters by conserving water and electricity within the factory premises, practicing resource segregation and recycling, and bringing their own tableware to support government initiatives for energy conservation and carbon reduction.
(2) Optimization of lighting in male/female restrooms is conducted to provide colleagues with a comfortable working environment.
(3) Subsidies for departmental gatherings are provided to create a harmonious workplace atmosphere.
(4) In 2023, the company sponsored the Winter Warmth Carnival organized by the Hsinchu Family Support Center for Orphans.
(5) In 2023, the company sponsored the "Dancing Vitality, Fun Physical Activities" event organized by the Hsinchu City Catholic Charity Foundation, donating funds for services to people with disabilities, supporting diverse learning, and maintaining physical and mental health.
(6) In 2022 and 2023, the company provided the company premises free of charge to the Dharma Drum Mountain Retreat Center, offering a spiritual healing space for employees in the Hsinchu Science Park, with approximately 200 people using it each month.</td></tr>
</table>

Climate-Related Information

<table>
<tr><td>Item</td><td>Implementation status</td></tr>
<tr><td>1.Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.</td><td>Since the second quarter of 2022, the Corporate Strategy Development Center has been reporting the implementation status of carbon audits to the Board of Directors on a quarterly basis. The Board of Directors has authorized the General Manager to handle and supervise this matter.</td></tr>
<tr><td>2.Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).</td><td>The company provides an explanation of the relevant issues and corresponding measures for short-term, medium-term, and long-term climate risks in 2023:
<table>
<tr><td>Front</td><td>Timeline</td><td>Risk</td><td>Opportunity</td></tr>
<tr><td rowspan="3">Operational Aspect</td><td>Short</td><td>Organizational and Supply Chain Operational Disruption</td><td rowspan="3">Developing green solutions such as green manufacturing, green energy, and green products.</td></tr>
<tr><td>Medium</td><td>Regulatory, Product Standards, Carbon Finance, and Transition Risks</td></tr>
<tr><td>Long</td><td>Low Carbon Transformation of Products and Services and Provision of Necessary Infrastructure</td></tr>
<tr><td rowspan="3">Strategic Aspect</td><td>Short</td><td>Operational Resilience Preparation Required for Net Zero Transformation</td><td>Actively engaging with customers and jointly developing green products.</td></tr>
<tr><td>Medium</td><td>Utilization of Renewable Energy and Low Carbon Technologies</td><td rowspan="2">Seizing key strategic opportunities for net-zero initiatives in the public sector and expanding and deepening partnerships within the ecosystem.
Investing in the technology, tools, and services needed for low-carbon transformation in industries.</td></tr>
<tr><td>Long</td><td>Deployment of Solutions in Response to Transition/Physical Risks</td></tr>
<tr><td rowspan="3">Financial Aspect</td><td>Short</td><td>Climate External Costs and Internal/External Demands</td><td>Ensuring stable development and creating high-value green solutions.</td></tr>
<tr><td>Medium</td><td rowspan="2">Impact of External Regulations such as Carbon Fees, International Carbon Border Adjustment Taxes, etc., on Operational Costs</td><td rowspan="2">Seizing key strategic opportunities for net-zero initiatives in the public sector and expanding and deepening partnerships within the ecosystem.</td></tr>
<tr><td>Long</td></tr>
</table>
</td></tr>
<tr><td>3. Describe the financial</td><td>
<table>
<tr><td></td><td>Item</td><td>Financial Impact</td><td>Mitigation Measures</td></tr>
<tr><td>Extreme</td><td>Floods,</td><td>Disruption of</td><td>● Establishing</td></tr>
</table>
</td></tr>
</table>

<table>
<tr>
<td rowspan="2">impact of extreme weather events and transformative actions.</td>
<td>Weather Events</td>
<td>Droughts, Typhoons, Earthquake</td>
<td>factory water/electricity supply resulting in production impact and operational downtime-related losses.</td>
<td>comprehensive water resource management.
● Increasing the amount of recycled water for process and equipment use annually, extending and stabilizing the supply of process water, and regularly reviewing water management effectiveness.
● Conducting inspections of process equipment in the factory area.
● Automatic activation of generators to meet related firefighting emergency electricity needs.
● Implementing disaster-resistant designs for production facilities.</td>
</tr>
<tr>
<td>Transition Initiatives</td>
<td>Enhancing Energy Efficiency</td>
<td>● Acquisition or maintenance of energy-saving facilities leading to increased operational costs.
● Reduction of greenhouse gas emissions resulting in decreased operational costs associated with carbon fees.</td>
<td>● New machine models and facilities can enhance production capacity. The cost savings can be reinvested into production, leading to increased output.
● Promoting various energy-saving measures to maximize resource efficiency and effectively reduce greenhouse gas emissions.</td>
</tr>
<tr>
<td>4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management</td>
<td colspan="4">Based on the framework of the Task Force on Climate-related Financial Disclosures (TCFD), climate risk issues are identified through reports from international organizations, peer industry analyses, and relevant regulations. The integration of financial or strategic considerations into the overall risk management system is determined, assessing the</td>
</tr>
</table>

system.	weightings of impact intensity and likelihood of occurrence to gauge the magnitude of risk values. Subsequently, risk issues are prioritized based on their importance.
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.	None
6.If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.	None
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	None
8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.	None
9.Greenhouse gas inventory and assurance status and reduction targets, strategy, and concrete action plan (separately fill out in points 1-1 and 1-2 below).	Please refer to Tables 1-1 and 1-2 for details.

Table1-1 Greenhouse Gas Inventory and Assurance Status for the Most Recent 2 Fiscal Years

1-1-1 Greenhouse Gas Inventory Information

Greenhouse Gas Inventory InformationDescribe the emission volume (metric tons CO2e), intensity (metric tons CO2e/NT$ million), and data coverage of greenhouse gases in the most recent 2 fiscal years.

The Company conducted a greenhouse gas inventory for its Hsinchu plant. The inventory results for the fiscal year 2023 were not finalized before the printing deadline for the annual report. Once complete information is obtained, it will be disclosed on the company's official website.

The inventory results for the year 2022 are as follows:

Year	Scope 1 (Metric tons of CO2e per year)	Scope 2 (Metric tons of CO2e per year)	Scope 3 (Metric tons of CO2e per year)
2021	84.4554	978.5334	214.0204
Unit Revenue Emissions (tCO2e/million dollars)	0.042	0.492	0.108
2022	163.1499	854.4961	192.2992
Unit Revenue Emissions (tCO2e/million dollars)	0.1007	0.5273	0.1187

Note 1: Direct emissions (scope 1, i.e., emissions directly from sources owned or controlled by the Company), indirect energy emissions (scope 2, i.e., indirect greenhouse gas emissions from electricity, heat, or steam) and other indirect emissions (scope 3, i.e., emissions from company activities that are not indirect energy emissions, but originate from sources owned or controlled by other companies).

Note 2: The data coverage scope for direct emissions and indirect energy emissions shall comply with the schedule prescribed in the order issued under Article 10, paragraph 2 of the Regulations. Other indirect emissions information may be voluntarily disclosed.

Note 3: Greenhouse gas inventory standards: Greenhouse Gas Protocol (GHG Protocol) or ISO 14064-1 issued by the International Organization for Standardization (ISO).

Note 4: The intensity of greenhouse gas emissions may be calculated per unit of product/service or revenue, but at least the data calculated in terms of revenue (NT$ 1 million) shall be disclosed.

1-1-2 Greenhouse Gas Assurance Information

Describe the status of assurance for the most recent 2 fiscal years as of the printing date of the annual report, including the scope of assurance, assurance institutions, assurance standards, and assurance opinion.

The company's comprehensive greenhouse gas confirmation for the year 2021 is outlined below:

Scope of Confirmation	Confirmation Entity	Confirmation Criteria	Confirmation Opinion
Hsinchu Plant Area	TUV Nord	IS014064-1:2018	Assurance Level: Scopes 1 and 2 are provided with reasonable assurance level; Scope 3 is provided with limited assurance level.

Note 1: This information shall be disclosed in compliance with the schedule prescribed in the order issued under Article 10, paragraph 2 of the Regulations. If the Company has not obtained a complete greenhouse gas assurance opinion by the date of printing of the annual report, it shall

note that “Complete assurance information will be disclosed in the sustainability report.” If the Company does not prepare a sustainability report, it shall note that “Complete assurance information will be disclosed on the Market Observation Post System (MOPS),” and shall disclose the complete assurance information in the annual report of the following fiscal year.

Note 2: The assurance institutions shall meet the directions regarding assurance of sustainability reports prescribed by the TWSE and the TPEx. Note 3: When preparing the disclosure content, the Company may refer to the best practice reference examples on the TWSE Corporate Governance Center website.

Table 1-2 Greenhouse Gas Reduction Targets, Strategy, and Concrete Action Plan

Specify the greenhouse gas reduction base year and its data, the reduction targets, strategy and concrete action plan, and the status of achievement of the reduction targets.

The company's greenhouse gas reduction baseline year and its data, reduction targets, strategies, specific action plans, and the status of achieving reduction targets are as follows:

Baseline Year	Total emissions for 2021 were 1277.009 tCO2e.
Reduction Target	The current carbon reduction target is >1%/year, and the annual target is planned to be a stable reduction of 2% until 2030, and an annual reduction of >3% will be achieved in 2030.
Strategies and Specific Action Plans	● All raw materials used by the company comply with the EU's ROHS regulations, including reducing material usage through recycling, minimizing pollution from product manufacturing to reduce environmental impact. The company aims to reduce unnecessary resource wastage in green manufacturing, seek waste reduction and reuse technologies, and collaborate with upstream and downstream partners in material recycling. ● The company has implemented water conservation measures, such as controlling the activation time of cooling towers to significantly reduce water usage. Additionally, the company has reduced toilet water usage by half and replaced faucets with water-saving models. Through water resource management and the implementation of water-saving technologies, the company has achieved approximately 900 tons of water savings, reducing consumption by 4%. ● By purchasing materials compliant with ROHS and replacing hazardous products, and by recycling recyclable products, the company aims to establish a "zero waste society." ● The company produced 51,013.1 metric tons of waste in 2023, with a unit product waste output of 2.03, a 5% decrease from 2022, meeting the annual waste reduction target.
Status of Achieving Reduction Targets	In 2022, relevant measures resulted in a carbon reduction benefit of 67.066 tCO2e.

Note 1: This information shall be disclosed in compliance with the schedule prescribed in the order issued under Article 10, paragraph 2 of the Regulations.

Note 2: The base year shall be the fiscal year in which the greenhouse gas inventory is completed based on the consolidated financial reporting boundary. For example, under the order issued under Article 10, paragraph 2 of the Regulations, a company with capital of NT$10 billion shall complete the inventory for its fiscal 2024 annual consolidated financial report in 2025, so the base year will be 2024. If a company has disclosed its inventory in its consolidated financial report in an earlier year, it may take the earlier fiscal year as its base year. Also, the data for the base year may be calculated based on a single fiscal year or the average of multiple fiscal years.

Note 3: When preparing the disclosure content, the Company may refer to the best practice reference examples on the TWSE Corporate Governance Center website.

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	
1. Establishment of ethical corporate management policies and programs				
(1) Does the company have an ethical corporate management policy approved by its Board of Directors, and by laws 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 " Ethical Corporate Management Best Practice Principles ", "Code of Ethics for Employees" and " Procedures for Ethical Management and Guidelines for Conduct " 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 " Ethical Corporate Management Best Practice Principles " 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 " or other business scope.	No deviation
(3) Does the company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?	V		The " Procedures for Ethical Management and Guidelines for Conduct " have been established 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.	No deviation
2. Ethical Management Practice				
(1) Does the company assess the ethics records of those it has	V		FOCI conduct business activities in a fair and transparent manner based on the	No deviation

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	
business relationships with and include ethical conduct related clauses in the business contracts?			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.	
(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 communication and complaint channels, and properly implemented such policies?	V		FOCI's " Ethical Corporate Management Best Practice Principles " stipulates the code of conduct to prevent conflicts of interest, and a mailbox is established to provide a smooth channel for reporting.	No deviation
(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
3. Implementation of the Company's Whistleblowing System				
1) Has the company established specific whistle-blowing and reward procedures, set up	V		The "Rules for Reporting Illegal or Unethical/Dishonest Behaviors" are established to provide specific reporting	No deviation

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	
conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistle-blowers?			and reward systems, convenient reporting channels, and appropriate personnel for handling reports.	
(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 for filing complaints	V		FOCI has a mailbox to receive anonymous suggestions to protect whistleblowers from negligence due to whistleblowing.	
4. Strengthening Information Disclosure				
(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 " Ethical Corporate Management Best Practice Principles " is disclosed in the investor relations section of FOCI's website andTWSE 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 " Ethical Corporate Management Best Practice Principles " 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 " Ethical Corporate Management Best Practice Principles " 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 " Procedures for the Prevention of 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 " Ethical Corporate Management Best Practice Principles ", " Corporate Social Responsibility Principles ", " Corporate Governance Best Practice Principles ", " Procedures for Handling Material Inside Information ", " Rules Governing the Conduct of Shareholders Meetings ", " 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 “Procedures for the Prevention of Insider Trading” and " Procedures for Handling Material Inside Information " 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 30 May 2023:

Agenda	Implementation
1. Recognition of the 2022 Business Report and Financial Statements	Resolution passed.
2. Recognized the distribution of the 2022 earnings.	Resolved to approve the distribution of 2022 earnings. A cash dividend of NT$0.5 per share was allocated. July 4, 2023, was set as the ex-dividend date, and cash dividends were distributed on July 25, 2023.
3. Approved amendments to some articles of the Company's "Articles of Incorporation"	Resolved to pass to amend some articles of the Company's "Articles of Incorporation"

(2) Material resolutions of board of directors' meetings:

Meeting date	Important resolutions
The 8th Meeting of the 11th Board of Directors 2023.2.23	(1) The Company's Capital Expenditures (2) The 2022 Distribution of Remuneration to the Company's Directors and Employees (3) The Company's 2022 Business Report of Business and Financial Statements (4) The Company's 2022 Earnings Distribution (5) The Assessment of the Effectiveness of the Internal Control System and the Issuance of the "Internal Control System Statement" (6) The Proposed Amendments to Some Articles of the Company's "Articles of Incorporation" (7) The Appointment of the Company's Attest Certified Public Accountant for 2023 (8) Matters Relating to the Convening of the Company's 2023 Shareholders' Regular Meeting (9) The Company's Greenhouse Gas Inventory and Assurance Plan (10) The Application for a Credit Line from Financial Institutions
The 9th Meeting of the 11th Board of Directors 2023.5.5	(1) The Company's Consolidated Financial Statements for the First Quarter of 2023 (2) Consideration of the 2022 Distribution of Remuneration to the Company's Directors (3) Consideration of the 2022 Distribution of Remuneration to the Company's Managerial Officers (4) The Appointment of the Company's Corporate Governance Supervisor
The 10th Meeting of the 11th Board of Directors 2023.8.3	(1) The Company's Consolidated Financial Statements for the Second Quarter of 2023 (2) The Company's Plan of Issuing New Shares for Cash Capital Increase (3) The Determination of the Record Date for the Capital Increase through Issuance of New Shares upon Conversion of the Company's Second Domestic Unsecured Convertible Bonds (4) The Application for a Credit Line from Financial Institutions
The 11th Meeting of the 11th Board of Directors 2023.10.16	(1) The Enactment of the Company's "Regulations on Employee Stock Purchase for Cash Capital Increase" (2) The Allocation of the Number of Shares Granted to Managerial Officers in the Company's Issuance of New Shares for Cash Capital Increase in 2023 (3) The Amendment to the Company's " Summary of current remuneration items for directors, supervisors and managerial officers "
The 12th Meeting of the 11th Board of Directors 2023.11.9	(1) The Company's Consolidated Financial Statements for the Third Quarter of 2023 (2) The Company's 2024 Business Plan (3) The Company's 2024 Audit Plan (4) The Amendment to the Company's "Schedule of Authorities and Responsibilities (5) The Appointment of the Company's Chief Information Security Officer (6) The Application for a Credit Line from Financial Institutions

The 13th Meeting of the 11th Board of Directors 2024.2.22	(1) The Company's 2023Business Report of Operations and Financial Statements (2) The Company’s 2023 Earnings Distribution (3) The Company resolved distributing cash from capital reserve (4) The Company set the record date for cash distribution from capital reserve (5) The Assessment of the Effectiveness of the Internal Control System and the Issuance of the "Internal Control System Statement" (6) Re-election of directors. (7) Passed the matters related to nomination of candidates for directors and independents. (8) The Proposed Amendments to Some Articles of the Company's " Procedure for Board of Directors Meetings” (9) The Appointment of the Company's Attest Certified Public Accountant (10) Matters Relating to the Convening of the Company’s 2024 Shareholders’ Regular Meeting (11) Endorsement guarantee for subsidiaries of the Company (12) To set the “ Employee Stock Ownership Trust Measures ” of the Company

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:

At the 10th meeting of the Company's 11th Board of Directors, held on August 3, 2023, Mei-hui Li an independent director of the Company, expressed a disclaimer opinion on the Company's cash capital increase, and after the chairman consulted the other directors present, the proposal was approved.

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.

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

1. The amount of audit fees and non-audit fees paid to the attesting CPAs, their respective firms and affiliates, and the content of non-audit services.

Audit fees for CPA

in NT$ 1,000

Name of accounting firm	Name of CPA		Audited period	Audit fees	Non-audit fees	Total	Remark
PWC Taiwan	Shu-Chian Bai	Tien-Yi Li	2023.1.1~ 2023/12/31	3,000	1,185	4,185	

Non-audit fees include (1) TP transfer pricing fee of NT$310 thousand, (2) English translation fee of annual financial statements of NT$300 thousand, and (3) business registration, tax deduction and exemption, and other legal and tax consulting fees of NT$575 thousand.

2. 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.

3. 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.

(VI). Information on replacement of certified public accountant

1. About the predecessor CPAs

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

3. Reply letter from the predecessor accountant to Item 1 and Item 2-3 of Paragraph 6 of Article 10 of the Code: none.

(VII). Where the company's chairman, 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.

(VIII). 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	2023		Up to 1 Apr 2024	
		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	497,735	0	0	1,900,000
Board director	Lee-chiou Chang	0	0	0	0
Board director	Ting-ta Hu	441,805	300,000	19,000	0
Ind. director	Mei-huei Li	0	0	0	0
Ind. director	Li-jen Kuo	0	0	0	0
Ind. director	Tzu-Ming Wang	0	0	0	0
GM	Ting-ta Hu	441,805	300,000	19,000	0
GM of FOCI Shanghai and Zhongshan	Chun-ying Kung	89,935	0	(40,000)	0
VP	Ching-wei Wei	8,730	0	(37,000)	0
VP	Shy-jge Wang	0	0	0	0
Director Head of finance Head of accounting	Ya-fang Yu	178,199	0	(14,199)	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

(IX). 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 2024; 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	5,124,102	5.19%	0	0	150,561	0.15%	none	none	
Yujie Investment Co., Ltd.	3,500,000	3.55%	0	0	0	0	none	none	
Wonderland Enterprise Co., Ltd.	3,500,000	3.55%	0	0	0	0	none	none	
Browave Corporation	2,300,526	2.33%	0	0	0	0	none	none	
Yong-xiang Zhang	2,064,683	2.09%	0	0	0	0	none	none	
Berkeley Capital's SBL/PB Investment Account under custody of Citibank	1,525,438	1.55%	0	0	0	0	none	none	
Yuan Yao Development Co.,Ltd.	1,500,000	1.52%	0	0	0	0	none	none	
KHITAN CO., LTD.	1,250,000	1.27%	0	0	0	0	none	none	
KGI Securities Co., Ltd.	1,217,000	1.23%	0	0	0	0	none	none	
HSBC (Taiwan) in custody for Goldman Sachs Investment Account	1,109,522	1.12%	0	0	0	0	none	none	

(X). 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 2023; 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)	12,200	100%	0	0	12,200	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%	500	0.92%	6,500	11.99%

Note 1: an investee company valuated 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

(I). Capitals and stock shares

1. Source of capital stock

1Apr 2024; in 1,000 shares/NT$ 1,000

Date	Issue price	Authorized stock		Paid-in capital		Remark		
		Shares	Amount	Shares	Amount	Source of capital stock	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	NT$ 10	110,000	1,100,000	60,529	605,290	Employee stock	None	Yuan Shang

2013						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
Aug 2023	NT$ 10	110,000	1,100,000	88,641	886,406	Convertible bonds into shares	None	Chu Shang 27468, dated 18 Aug 2023
Nov 2023	NT$ 10	110,000	1,100,000	98,641	986,406	Cash capital increase	None	Chu Shang 37959, dated 16 Nov 2023

1Apr 2024 ; in shares

Type of shares	Authorized stock			Remark
	Outstanding shares	Unissued shares	Total	
Registered common shares	98,640,567	11,359,433	110,000,000	OTC stocks

2. Shareholders' structure

1Apr 2024; in shares

Shareholder's structure / Qty	Government institutes	Financial institutes	Other legal persons	Foreign institutes and foreigners	Individual persons	Total
No. of holders	0	15	198	42	31,654	31,909
Shareholdings	0	1,782,996	16,374,636	6,600,713	73,882,222	98,640,567
Shareholding %	0	1.81%	16.60%	6.69%	74.9%	100%

3. Diffusion of ownership

(1) Common stocks

Face value NT$ 10 per share

1Apr 2024; in shares

Shareholding class	No. of holders	Shareholdings	Shareholding %
1 ～ 999	21,883	383,997	0.39%
1,000 ～ 5,000	8,322	14,993,874	15.20%
5,001 ～ 10,000	801	6,209,130	6.29%
10,001 ～ 15,000	260	3,300,803	3.35%
15,001 ～ 20,000	159	2.931,007	2.97%
20,001 ～ 30,000	151	3,856,284	3.91%
30,001 ～ 40,000	66	2,313,155	2.35%
40,001 ～ 50,000	46	2,136,646	2.17%
50,001 ～ 100,000	115	8,516,882	8.63%
100,001 ～ 200,000	42	5,937,513	6.02%
200,001 ～ 400,000	23	6,330,597	6.42%
400,001 ～ 600,000	19	9,108,812	9.23%
600,001 ～ 800,000	8	5,831,805	5.91%
800,001 ～ 1,000,000	4	3,698,791	3.75%
> 1,000,001	10	23,091,271	23.41%
Total	31,909	98,640,567	100.00%

(2) Preferred stocks: not applicable

4. List of principal shareholders

1Apr 2024; in shares

Name \ holdings of principal shareholder	Shareholdings	Shareholding %
Song-fure Lin	5,124,102	5.19%
Yujie Investment Co., Ltd.	3,500,000	3.55%
Wonderland Enterprise Co., Ltd.	3,500,000	3.55%
Browave Corporation	2,300,526	2.33%
Yong-xiang Zhang	2,064,683	2.09%
Berkeley Capital’s SBL/PB Investment Account under custody of Citibank	1,525,438	1.55%
Yuan Yao Development Co.,Ltd.	1,500,000	1.52%
KHITAN CO., LTD.	1,250,000	1.27%
KGI Securities Co., Ltd.	1,217,000	1.23%
HSBC (Taiwan) in custody for Goldman Sachs Investment Account	1,109,522	1.12%

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

Unit: NT$/thousand shares

<table>
<tr><td colspan="3">Year / Item</td><td>2022</td><td>2023</td><td>As of April 1,2024</td></tr>
<tr><td rowspan="3">Per share market price (note 1)</td><td colspan="2">Highest</td><td>33.9</td><td>83.4</td><td>144</td></tr>
<tr><td colspan="2">Lowest</td><td>21.45</td><td>22.6</td><td>64.6</td></tr>
<tr><td colspan="2">Average</td><td>26.86</td><td>57.35</td><td>97.86</td></tr>
<tr><td rowspan="2">Net value per share (note 2)</td><td colspan="2">Before distribution</td><td>18.80</td><td>21.68</td><td rowspan="12">N/A</td></tr>
<tr><td colspan="2">After distribution</td><td>18.30</td><td>21.18</td></tr>
<tr><td rowspan="2">Earnings per share</td><td colspan="2">Weighted average number of shares</td><td>88,319</td><td>90,103</td></tr>
<tr><td colspan="2">Earnings per share (note 3)</td><td>0.53</td><td>0.13</td></tr>
<tr><td rowspan="4">Per share dividends</td><td colspan="2">Cash dividend</td><td>0.5</td><td>0.5(Note9)</td></tr>
<tr><td rowspan="2">Share Dividend</td><td>From retained earnings</td><td>-</td><td>-</td></tr>
<tr><td>From capital surplus</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Accumulated unpaid dividends (note 4)</td><td>-</td><td>-</td></tr>
<tr><td rowspan="3">ROI analysis</td><td colspan="2">Price/earnings ratio (note 5)</td><td>50.68</td><td>441.15</td></tr>
<tr><td colspan="2">Price/cash dividend ratio (note 6)</td><td>53.72</td><td>114.7</td></tr>
<tr><td colspan="2">Cash dividend yield (note 7)</td><td>1.86%</td><td>0.87%</td></tr>
</table>

＊ 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: 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.

Note9: The Board of the Company resolved distributing cash from capital reserves of 2023 on 22 Feb,2024 and distributed NT$0.5 per share.

6. Company Dividend Policy and Implementation Status

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

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 remuneration. However, if the Company still has accumulated losses, it shall reserve a portion of its earning to offset the losses first.

The board shall make the distribution of remuneration to employees and directors with the attendance of more than two-thirds and a resolution approved by more than half of the directors present and reported to the shareholders' meeting. The board of directors distributes employee remuneration through stock or cash, and the distribution recipients may include employees of controlling or subordinate companies who meet certain conditions. The board of directors authorizes the qualifications and distribution methods for resolution.

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

A. Paying tax.
B. Making up losses for preceding years.
C. 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).
D. Setting aside or reversing a special reserve according to relevant regulations.
E. 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

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. 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 factors such as the Company's capital and financial structure, operating conditions, earnings, and the nature and cycle of the industry it belongs to. Suppose the Company has a surplus in its final annual accounts, and the distributable surplus reaches 2% of the paid-in capital. In that case, the dividend distribution shall not be less than 10% of the distributable surplus. 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 exceed 50% of the total dividends for the current year.

(2) The proposed distribution by the shareholders' meeting:

The Board of the Company resolved distributing cash from capital reserves of 2023 on 22 Feb, 2024 and distributed NT$0.5 per share and the total amount was NT$49,320,284, which will be reported to the General Shareholders’ Meeting of the Company.

(3) Significant change in dividend policy expectations: None.

7. Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting.: Not applicable.

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.

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 remuneration. However, if the Company still has accumulated losses, it shall reserve a portion of its earning to offset the losses first.

The board shall make the distribution of remuneration to employees and directors with the attendance of more than two-thirds and a resolution approved by more than half of the directors present and reported to the shareholders' meeting. The board of directors distributes employee remuneration through stock or cash, and the distribution recipients may include employees of controlling or subordinate companies who meet certain conditions. The board of directors authorizes the qualifications and distribution methods for resolution.

(2) The basis for estimating the amount of employee, director, and supervisor profit-sharing compensation, for calculating the number of shares to be distributed as employee profit-sharing compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.:

A. In 2023, the Company did not distribute employee remuneration in stock.

B. The estimated amounts of employee remuneration and director remuneration payable by the Company in 2023 are NT$0, respectively. If the actual distribution amount changes, it will be handled according to the accounting estimate change, adjusted, and recorded in 2024.

(3) When the board of directors approves the remuneration distribution:

A. The amount of any employee profit-sharing compensation and director and supervisor profit-sharing compensation distributed in cash or stocks. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed.:

The company did not distribute remuneration to employees and directors in 2023, and there was no difference from the estimated amount in 2023.

B. The amount of any employee profit-sharing compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee profit-sharing compensation.: Not applicable.

(4) The actual distribution of employee, director, and supervisor profit-sharing compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor profit-sharing compensation, additionally the discrepancy, cause, and how it is treated.:

The employee remuneration and director remuneration of NT$5,600 thousand and NT$1,400 thousand approved by the board of directors in 2022 were the same with NT$5,600 thousand and NT$1,400 thousand recognized in 2022.

9. Company buybacks:

(1) Company buybacks that have completed: none.

(2) Company buyback in progress: none.

(II). Information on the company's issuance of corporate bonds

1. Handling of corporate bonds

<table>
<tr><td colspan="2">Types of corporate bonds</td><td>The second domestic unsecured convertible bonds</td></tr>
<tr><td colspan="2">Issuance date</td><td>9/6/2018</td></tr>
<tr><td colspan="2">Face value</td><td>NT$100,000</td></tr>
<tr><td colspan="2">Issuance and trading location</td><td>Taipei Exchange</td></tr>
<tr><td colspan="2">Issuance price</td><td>Issued in total face value</td></tr>
<tr><td colspan="2">Lump sum</td><td>NT$400,000,000</td></tr>
<tr><td colspan="2">Interest rate</td><td>Coupon rate 0%</td></tr>
<tr><td colspan="2">Term</td><td>5-year term Maturity date: 9/6/2023</td></tr>
<tr><td colspan="2">Guarantee agency</td><td>None</td></tr>
<tr><td colspan="2">Trustee</td><td>Mega International Commercial Bank</td></tr>
<tr><td colspan="2">Underwriting agency</td><td>KGI Securities Co. Ltd.</td></tr>
<tr><td colspan="2">Certification lawyer</td><td>Handsome Attorneys-at-Law Ya-wen Qiu</td></tr>
<tr><td colspan="2">Certification accountant</td><td>PwC Taiwan
Ya-Huei Cheng and Yu-Kuan Lin</td></tr>
<tr><td colspan="2">Repayment method</td><td>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.</td></tr>
<tr><td colspan="2">Outstanding principal</td><td>NT$0 (The over-the-counter trading of this convertible bond has been terminated on 12 Jul, 2023)</td></tr>
<tr><td colspan="2">Terms of redemption or early settlement</td><td>Detailed issuance and conversion method</td></tr>
<tr><td colspan="2">Restrictions</td><td>Detailed issuance and conversion method</td></tr>
<tr><td colspan="2">Credit rating agency name, rating date, corporate bond rating results</td><td>None</td></tr>
<tr><td rowspan="2">Other rights</td><td>Amount of common stock converted as of the date of publication of the annual report</td><td>15,192,422 common shares converted
The amount is NT$151,924,220
(The over-the-counter trading of this convertible bond has been terminated on 12 Jul, 2023)</td></tr>
<tr><td>Issuance and conversion (exchange or</td><td>Details of the Company's second domestic issuance and conversion of unsecured convertible corporate bonds</td></tr>
</table>

	subscription) method	
Issuance and conversion, exchange or subscription methods, issuance conditions on possible dilution of equity, and impact on existing shareholders' rights and interests		None
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		2022	2023	As of April 1,2024
Convertible corporate bond market price	Highest	135	180	N/A (Note2)
	Lowest	113.6	116.6	
	Average	131.43	132.94	
conversion price		NT$22.7 (Note 1)	NT$22.7 (Note1)	
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 2, 2021, the conversion price has been adjusted from NT$24.10 to NT$22.70
Note 2:The over-the-counter trading of this convertible bond has been terminated on 12 Jul, 2023

(III). Issuance of preferred stocks: none.

(IV). Issuance of depository receipts: none.

(V). Issuance of employee stock options: none.

(VI). Issuance of restricted stock awards: none.

(VII). Issuance of new stocks for merging or transferal of equities of other company: none.

(VIII). Implementation of fund application plans:

The description status of the company’s capital utilization plan for cash capital increase in 2023 is as follows:

1. Plan content

(1) Competent authority approval date and document number:The plan has been approved and made effective by the Financial Supervisory Commission's letter Jin-Guan-Zheng-Fa-Zi No.1120355811 dated September 26,2023.

(2) Raised amount : The Company planned to issue 10,000 thousand shares of common shares, with par value of NT$10 per share, at NT$52.80 per share, for the cash capital increase, and the actual amount raised was NT$528,000 thousand. The actual amount raised was NT$28,000 thousand higher than the original plan, so the amount of working capital was increased by NT$28,000 thousand from the original plan. As of the end of the first quarter of 2024, the

actual amount used for repayment of bank loans was NT$230,000 thousand and the amount used to enrich the working capital was NT$100,000 thousand according to plan progress.

(3) Project item and progress of utilization

Unit: Thousands of New Taiwan Dollars

Project item	Estimated completion date	Total funds required	Estimated progress of funds utilization			
			2023	2024		
			Fourth quarter	First quarter	Second quarter	Third quarter
Repayment of bank loans	Fourth quarter of 2023	230,000	230,000	—	—	—
Enrichment of working capital	Third quarter of 2024	298,000	—	100,000	100,000	98,000
Total		528,000	230,000	100,000	100,000	98,000

2. Implementation

Unit: Thousands of New Taiwan Dollars

Project item	Implementation of funds		As of the first quarter of 2024	Reason for progress ahead or behind of schedule and improvement plan
Repayment of bank loans	Cumulative amount spent	Scheduled	230,000	The repayment of bank loans has been completed in accordance with the scheduled progress.
		Actual	230,000	
	Cumulative progress	Scheduled	100.00%	
		Actual	100.00%	
Enrichment of working capital	Cumulative amount spent	Scheduled	100,000	The enrichment of working capital will be carried out in accordance with the scheduled progress of utilization of funds.
		Actual	100,000	
	Cumulative progress	Scheduled	33.55%	
		Actual	33.55%	
Total	Cumulative amount spent	Scheduled	330,000	The implementation is in accordance with the scheduled progress of the fund utilization.
		Actual	330,000	
	Cumulative progress	Scheduled	62.50%	
		Actual	62.50%	

3. Assessment of the difference between expected benefits and actual achievements

(1). Repayment of bank loans

Upon the completion of the capital raising in November 2023, the Company immediately repaid the bank loans in November 2023. As of the end of the fourth quarter of 2023, the Company had utilized NT$230,000 thousand, which, based on the weighted-average interest rate of the bank loans of 1.826%, would result in a savings of NT$350 thousand in interest expense in 2023, and NT$4,201 thousand annually thereafter. The benefits in terms of capital cost savings were also in line with the expected benefits and there were no major anomalies.

(2). Enrichment of working capital

As of the first quarter of 2024, the actual amount spent to supplement working capital was NT$100,000 thousand, and the cumulative actual progress was 33.55%. The progress of the capital utilization plan had been carried out in accordance with the original plan. In addition, this fund will replace bank loan and will help increase long-term financial stability, improve short-term debt repayment capabilities, strengthen the ability to mobilize funds flexibly, and improve the financial structure. It can also save interest expenses and improve the company's operational competitiveness. Its benefits should have been appearance.

(3). The analysis of benefit achievement is as follows:

In:NT$1,000；%

Item		2023 Q3	2023 Q4
Financial Information	Current Assets	1,375,454	1,665,886
	Current Liabilities	441,330	193,125
	Total Liabilities	534,409	280,852
	Operating Revenues	328,229	337,273
	Interest Expense	1,681	1,206
	Earnings per share(in dollars)	0	(0.09)
Financial Structure (%)	Liabilities To Assets Ratio	24.83	11.61
	Ratio of long-term funds to property, plant and equipment	485.94	625.46
Solvency (%)	Current Ratio	311.66	862.59
	Quick Ratio	247.71	729.16

The company has repaid bank borrowings of NT$ 230,000 thousand in the fourth quarter of 2023 according to the original plan; replenished working capital by NT$ 100,000 thousand in the first quarter of 2024 according to the original plan. In addition, after reviewing the company's financial structure and solvency ratios before and after the cash capital increase, the financial structure and solvency were improved compared to before the cash capital increase.

(4). Reasonableness of use of unspent funds

The Company's cash capital increase was completed in the fourth quarter of 2023, and has been implemented according to the scheduled plan and progress. The remaining unspent funds are deposited in bank deposits, which will be used to enrich the working capital and will be implemented in accordance with the scheduled fund utilization progress, which should be reasonable.

(5). As of the end of the first quarter of 2024, there was no change in the Company's plans, the repayment of bank loans was completed as scheduled, and the enrichment of working capital was carried out in accordance with the original plan and is expected to be completed in the third quarter of 2024. There was no change in the plans.

V. Overview of Operations

(I). 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 pigtails, 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		2023		2022	
		Amount	%	Amount	%
Sales revenue	Fiber connectors	17,028	1.34	21,814	1.35
	Fiber patch cords	991,851	77.99	1,234,993	76.20
	Fiber couplers	70,291	5.53	73,856	4.56
	Other passive optical fiber products	67,399	5.30	53,205	3.28
	Micro-optical fiber devices	72,058	5.66	180,751	11.15
	Others	42,590	3.35	45,526	2.81
	Rental receipt	10,528	0.83	10,514	0.65
	Total	1,271,745	100	1,620,659	100.00

(3) FOCI's current major new products and services:

Major products	Product specifications
SiPh package	● Optical communications component integration and packaging ● Silicon optical component packaging ● Other precision component packaging
Passive optical components	● Optical fiber connectors ● Full range of optical fiber jumpers ● Optical isolators and circulators ● Optical fiber array products ● Optical fiber couplers ● Multi-channel WDMs ● PLC splitters ● Integrated optical communications modules

Optical fiber modules and integrated system	● Integrated active and passive components and modules for optical fiber system ● Active optical cables (AOCs) ● Packaging and testing service ● Others

(4) New products (services) on design desk:

A. Packaging technology of polarization-maintaining fiber array (PM FA)

B. Co-Packaged Optics (CPO) and process development

C. Silicon photonic application connector product development

D. Product development of active fiber optic cable: USB3.2, USB4, DP Alt Type C, HDMI2.1 AOC

E. Reflowable Lensed Fiber Array Connector

2. Industry overview

(1) Current status and development of the industry

With the development of network applications, the amount of data loaded in the cloud and data centers has risen dramatically. To deal with the massive amount of data messages, it is necessary to have more efficient computing and transmission speeds. In the past, optical transceiver modules were connected to various devices (switches/servers) in data centers via optical fibers. However, the optical chips in the optical transceiver modules and the electronic chips for computing were each packaged on a PCB, and due to the dispersion of the components and the large path of intermediate transmission, there were problems such as delay, high loss, large size, complex assembly, and increase in the cost of assembly.

With the advent of the AI era and the huge growth in data volume in the future, data processing speed and performance needs shall be further increased, and the problems of latency and wear and tear caused by optical and electrical packaging in the past will be even more magnified! Therefore, there is a need for faster data transmission speed to increase computing power, allowing silicon photonics technology to jump onto the stage again. The emergence of silicon photonics can continue the development of Moore's law. Moore's law means that the number of transistors that can be accommodated on an integrated circuit will double every two years, but even if the number of transistors increases, there is still no way to avoid the problem of electrical wear and tear. By utilizing silicon photonics technology, it is no longer necessary to pursue more transistors and smaller process nodes in order to achieve high bandwidth and high-performance data transmission, although there are still many technical problems to overcome in the conversion of optical and electrical signals. Silicon photonics can be used in large-scale data centers, high-performance computing (HPC), artificial intelligence and machine learning (AI and ML), optical radar, biomedical sensing, quantum mechanics, and more. The current popular Co-Packaged Optics (CPO) utilizes silicon photonics technology. Currently, data transmission within the data center utilizes traditional plug-and-play optical transceiver modules, which have longer transmission paths, resulting in signal loss when the signal transmission speed rises above 200G.

CPO utilizes silicon photonics technology to mount the switching chip and the optical engine in the same slot, forming a co-package of the chip and the module, which can shorten the data transmission path and reduce signal loss and latency.

(2) Correlation between up, mid, and downstream of the industry

The Company is a professional R & D, manufacturing, and sales firm of fiber optic communication components, and it cooperates with upstream and downstream companies. From a market perspective, a certain degree of strategic cooperation exists among most of the upstream materials, midstream components, and downstream equipment, modules, and even subsystems and systems, etc. As only a few companies in Taiwan have vertically integrated technologies and possess mature technological capabilities, it will be a major trend in the optical communications industry for up-, mid-, and down-stream customers to strengthen their technological and market capabilities through integration.

(3) Product development trends

CPO technology has just entered the market, and the production cost is still high. With the explosion of high-speed transmission demand, it is expected that CPO technology will be a necessary technology that cannot be ignored and will enter the market in large quantities after 2025. As AI develops faster, CPO will be introduced into applications faster! CPO technology has been certified by Microsoft, Meta, and other major companies and has been adopted in the future network architecture.

In response to the wave of AI applications, FOCI has actively entered the CPO field, which will become another growth engine for the domestic optical communication module industry. In 2024-2025, the optical communication industry, with data center architecture progressing to 400G, followed by 800G upgrade development, can focus on the growth momentum brought by the increase in the penetration rate of 400G/800G specifications. The rise of 400G/800G is due to the application of AR, VR, AI, 5G and other technologies that have a huge demand for traffic. This growth will require higher bandwidth, which will drive the construction of data centers and lead optical communications into new business opportunities.

(4) Product competition

At present, the Company’s main products are fiber optic communication components and modules. Optical connection technology is one of the Company’s core competencies, and we focus our research and development on high-speed transmission interfaces-related product and production technologies. Currently, the Company’s main products are divided into six categories: optical connector components, optical coupling components and planar lightwave circuit (PLC) components, wavelength multiplexing components, micro-optical components, optical transceiver modules and active optical fiber (AOC), and optical sub-modules and customized components. The Company will further advance the development of optical connection components for silicon photonics chip packaging and CPO and LPO packaging technologies, and move toward the development of forward-looking technologies for integrated optical component packaging and connection.

The Company has been keeping pace with the market in terms of applications, and MPO/ LC/ WDM applications are FOCI's main products. With the increasing importance of long-haul applications, Panda/Polarization Maintaining Fiber (PM fiber) applied at the laser end is also one of our competitive advantages in the market. From single-core to multi-core applications, these are mature products. In addition to the original optical modules, PM Fiber Array technology has been introduced into the whole system for OBO and CPO applications. It integrates the original multi-mode/single-mode optical fiber with Panda/Polarization Maintaining Fiber, which can be used in the future optomechatronic system.

3. Technology and R&D overview

(1) Technology level and research and development of business operations

The Company began to set up an R&D unit when it was first founded, and focused on the research and development of fiber optic components. With the development of new products and new technologies, the R & D unit has also been expanded. Currently, the R&D department can be divided into the Automation Technology Development Department, the Smart Manufacturing R&D Department, and the Silicon Photonics Packaging Department, which are responsible for researching and developing various products and technologies, providing key process design and development, and main structure planning and design, as well as the development of production line jigs, providing products and services that meet market demand. The items handled by each R&D department are described as follows：

Department	Team	Major Works
R&D Engineering Center	AUTOMATIC PROCESS DEVELOPMENT DIVISION	(1)Key manufacturing process design and development. (2)Feasibility assessment of DFM, EVT, DVT and PVT. (3)Main structure planning and design. (4)Development of production line jig. (5)Optimization of production jig.
	INTELLIGENT PRODUCTION ENGINEERING DIVISION	(1) Research and develop various products. (2) The output and management of document records such as design and development planning, manufacturing process development, design technical data, test reports, etc. (3) Assist in improving product manufacturing processes. (4) Execute initial sample and trial production testing of special product orders or contracts.

	SI PHOtoNICS PACKAGE DeVELOPMENT DIVISION	(1) Develops SiPh component packages and products, and CPO products; (2) Production and management of design development projects, process development, design technical data, test reports, and other documents and records; (3) Assistance in improving product manufacturing processes; (4) Pilot production tests for special product orders or contracts.

(2) R&D expenses in the most recent two years

In: NT$ 1,000/%

Item / Year	2023	2022
R&D expenses (A)	109,775	77,580
Net operating revenue (B)	1,271,745	1,620,659
% in net operating revenue, (A)/(B)	8.63	4.79

(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 mounter: 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
2023	Reflowable Lensed Fiber Array Connector ReLFAConTM Optical fiber cable automated assembly and testing system

4. Long and short-term business development plans

(1) Short-term business development plan

A. Product strategy

In response to the advent of the high-speed transmission AI era, FOCI will strengthen its manpower and technology marketing in the data center and consumer electronics markets, in addition to its original mainstay business of optical passive components. The Company will continue to refine its product specifications, strictly strengthen quality control, and continue to develop products that meet the needs of the market to ensure that the Company’s market share will continue to increase.

At present, in addition to the components used by telecommunication carriers and system integrators in their construction or systems, the Company will actively participate in joint development with system customers in the design stage to develop products that meet customer use and operational needs. In addition, FOCI's Silicon Photonics Packaging Business Division has been cooperating with major international companies in product and process development, and is striving for more end-customer business opportunities through mutual cooperation with upstream and downstream companies.

B. Production strategy

a. Enhance cost control, actively look for suppliers that can cooperate with the Company strategically over a long period of time, and at the same time improve the production efficiency of the products, strengthen the education and training of the production personnel, and carry out the quality policy.

b. Comprehensively strengthen production management and improve product gross profit margins.

c. Establish a good interaction mode with subcontractors, in the spirit of mutual benefit, to obtain sufficient capacity and quality control, and to maintain the products' competitive advantage in the market.

d. Expand automated production lines to capitalize on quality advantages and meet the growth needs of international companies.

e. Continue to move toward production efficiency and yield enhancement, and toward Lean Manufacturing.

C. Marketing strategy

a. Implement customer segmentation, strengthen quality customer services, build market reputation, and expand the global market for high value-added components.

b. Improve the design service function and encourage a real-time delivery policy to meet customers' product development and mass production needs.

c. Maintain a good interactive relationship with customers and take the initiative to understand their needs in depth to achieve customer satisfaction. In addition, based on the existing business, with the development of new products, actively cultivate existing customers and develop new customers, expanding market share.

D. Financial co-ordination

Based on the principle of prudent operation, the Company currently uses its own funds and earnings generated from operations as its main working capital, supplemented by bank financing. For the future growth plans, the company also implemented a cash capital increase 10,000 thousand shares in 2023.

(2) Long-term business development plans

A. 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 high-speed optical module packaging products.

d. Collaborate with customers to develop new products in response to technological developments

B. 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 and yield rate, 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.

C. 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.

D. 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.

E. 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.

(II). 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		2023		2022	
		Sales	%	Sales	%
Domestic sales		187,726	14.76%	317,467	19.59%
Exporting	China	66,918	5.26%	164,275	10.13%
	America	852,685	67.05%	928,604	57.30%
	Others	164,416	12.93%	210,313	12.98%
Total		1,271,745	100.00%	1,620,659	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) Future supply/demand situation and growth of the market

With the evolution of the market, the current development of optical communication applications, has been from the plug-in optical module (Pluggable Transceiver) slowly into the system side, evolving towards the development of co-packaged optics (CPO) components. The advantages of combining photonics devices and electronic switches into a package to reduce power consumption, improve thermal efficiency, and reduce the size will be the latest technology and hot topics in the next few years.

According to LightCounting's estimates, the compound annual growth rate of optical communications industry's sales from 2022 to 2027 is 11%. For the data center, Yole estimates that data center sales will be US$15.1 billion in 2026 and will grow to US$22.3 billion in 2032. Among them, CPO will show significant growth after 2026. According to Lightcounting's research, CPO packaged switches will grow at an average rate of 19% from 2022 to 2027, and the CPO market is estimated to grow to approximately $300 million in 2026.

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.

(4) Competitive niche and development vision: Favorable and unfavorable factors of the vision and countermeasures.

A. 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 customers.

B. 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, we continue to carry out a number of industry-university cooperation projects and provide a good working environment and welfare system to keep excellent talents. We devote themselves to the training of industrial professionals to improve FOCI's competitiveness.

C. 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.

D. Grasp marketing channels and key customers

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.

(5) 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
  - Early deployment of CPO components and process development, and close cooperation with customers.
  - Customer service into the heart of customers 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
- Threatens
  - 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:

A. Improve the capability of Taiwan HQs to design, develop, and produce SiPh package products

The Taiwan headquarters is the core of the Company's operation and development. We continue to strengthen the development of products and technology, and will continue to expand production lines, adjust the configuration of the plant, and invest in production and R & D equipment, in order to meet the needs of the Company's growth in 2024, including the construction of the mass production lines of silicon photonics packaging and automated components.

B. 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.

C. 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.

D. 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

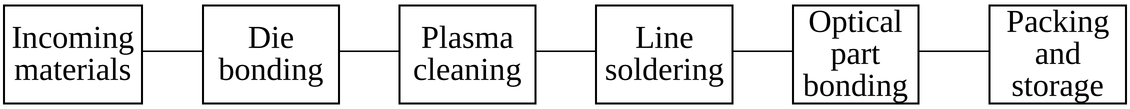
Major product	Application
Passive optical components	Use in signal transmission lines in optical communications systems, instruments, or equipment for connection, light splitting, wavelength division/mixing, and signal attenuation.

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

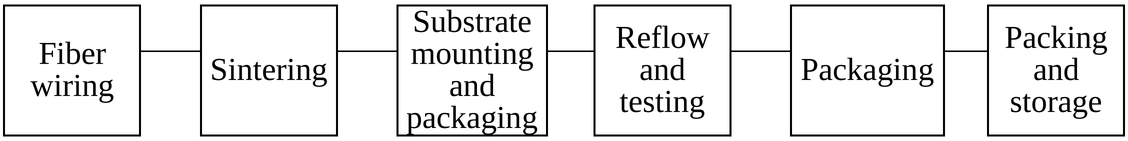
FOCI's major products include passive optical components and integrated optical fiber transmission modules made to specifications. There are five types of passive optical components are according to manufacturing processes. The following is a flowchart of the product manufacturing process:

Advanced packaging process

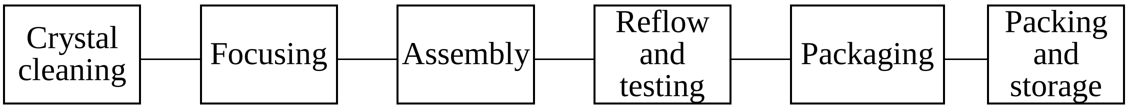


Optical fiber connection components

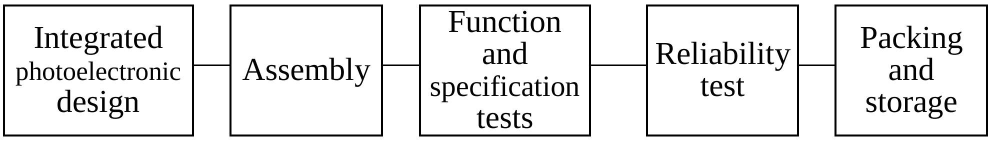
Optical fiber sintering components



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

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

Unit: NT$1,000

Item	2023		2022		2022 to 2023
	Operating profit	Gross profit margin	Operating profit	Gross profit margin	Change of gross rate (%)
Fiber optic passive components	169,412	13.43%	288,374	17.91%	(25.01)
Lease income	8,405	79.80%	8,756	83.28%	(4.18)
Total operating gross profit	177,817	13.98%	297,130	18.33%	(23.73)

Explanation of the change in gross profit rate of more than 20% from the previous year: Due to market demand and industrial inventory adjustments.

B. List of main purchasing and selling customers:

a. 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	2023				2022			
	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	163,906	28.75	None	Company S	212,391	26.94	None
2	Company T	84,151	14.76	None	Company T	86,381	10.95	None
3	Company C	43,005	7.54	None	Company C	58,129	7.37	None
—	Other	279,003	48.95	-	Other	431,631	54.74	-
—	Net Purchase	570,065	100	-	Net Purchase	788,532	100	-

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

b. 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	2023				2022			
	Name	Amount	Ratio of net sales in the whole year (%)	Relationship with Issuer	Name	Amount	Ratio of net sales in the whole year (%)	Relationship with Issuer
1	Company C	757,372	59.55	None	Company C	793,990	48.99	None
2	Company F	72,333	5.69	None	Company M	113,195	6.99	None
3	Company J	36,523	2.87	None	Company F	107,833	6.65	None
4	Company G	33,594	2.64	None	Company D	74,356	4.59	None
—	Other	371,923	29.25	-	Other	531,285	32.78	-
—	Net Sales	1,271,745	100	-	Net Sales	1,620,659	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

Year / Production Numbers / Main products	2023			2022		
	Production capacity	Production yield	Production value	Production capacity	Production yield	Production value
Passive elements for optical communications	25,000	13,893	875,025	25,000	18,294	1,280,133
Others (note)	-	-	96,344	-	-	46,002
Total	25,000	13,893	971,369	25,000	18,294	1,326,135

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 / Main products	2023				2022			
	Domestic sales		Exporting sales		Domestic sales		Exporting sales	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value
Passive elements for optical communications	2,564	136,293	10,868	1,032,979	4,199	289,167	13,461	1,275,452
Others	84	51,433	2,075	51,040	173	28,300	928	27,740
Total	2,648	187,726	12,943	1,084,019	4,372	317,467	14,389	1,303,192

(III). The number of employees employed for the 2 most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report, their average years of service, average age, and education levels (including the percentage of employees at each level)

31 Mar 2024; in no. of persons/years of age/%

Year		2022	2023	31 Mar 2024
No. of employees	Managers	22	18	17
	Engineers	83	100	105
	Management workers	122	123	106
	Production line workers	245	238	318
	Total	472	479	546
Ave. age		36.98	35.83	34.91
Ave. years of service		6.47	5.93	5.08
Education distribution %	PhD	0.21%	0.63%	0.37%
	Master's degree	7.84%	10.02%	9.52%
	College	38.77%	36.95%	32.05%
	Senior high school	29.66%	18.58%	16.12%
	Below senior high school	23.52%	33.82%	41.94%

(IV). 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. The company is not required to obtain pollution-related installation, operation and emission permits according to law but fails to obtain them.

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

(V). 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 2023

Item	Total no. of persons	Total hours	Total expenses (NT$)
On-the-job professional training	669	1,346	151,237
New recruit training	580	647	43,101
Fire training	608	637	21,550
Occupational health and safety training	652	703	43,101
Other on-the-job training	264	306	6,000
Total	2,773	3,638.5	264,989

(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.

(VI). Cyber security management

1. Describe the information security risk management framework, information security policy, specific management plan, resources invested in information security management, etc.：

(1) Information security risk management framework

The Company’s Information Security Committee was established on August 6, 2021, with the Chief Information Officer, the top supervisor of the Information Department, as the convener. The Information Security Committee is responsible for reviewing the “Regulations on Information Security Management” and planning, supervising and promoting the implementation of the information security management system. The related matters include: works related to information identification, detection, response, protection, recovery, and management, in order to enhance the information security protection capability. It formulates and regularly reviews information security policies, including information security incident notification and response mechanisms, and regularly advocates them to employees, promoting the efficiency and quality of the information business and maximizing the effectiveness of prevention and correction.

(2) Information security policy

It is to protect information assets from all kinds of improper use, leakage, tampering, theft, destruction, and other accidental threats, and to reduce the degree of damage that may affect and jeopardize the Company's business operation. In addition, the Company makes reference to the government regulations to formulate the Regulations on Business Secrets Management, Regulations on Personal Information Management, etc. It will collect and analyze the latest information security related regulations to formulate or amend the related regulations constantly.

(3) Specific information security management plan, resources invested in information security management:

A. Strengthen internal system security and enhance information remote application management, data backup and offline backup.

B. Upgrade and replace old systems to enhance security levels and protect against ransomware threats and shut down unnecessary services.

C. Regularly conduct information security courses for all employees to enhance their awareness of information security and promote information security standards.

D. Sign a contract with Chunghwa Telecom to protect the enterprise from external hackers.

E. Outsource the Company's network information security inspection to an information service provider to quickly improve possible information security risks.

F. New employees will receive information security education and training on the first day they report to work to help them understand relevant information security regulations. Information security control and major information security incidents will be regularly announced for awareness promotion.

G. Participate in the government-sponsored science park ISAC and TW-ISAC information security mutual aid groups.

H. The information security unit conducts phishing tests from time to time to collect those phished colleagues for re-education on information security awareness.

I. The information security unit actively invests in related resources and facilities, such as the re-planning of firewalls, the investment in EDR and MDR, the strengthening and improvement of the information security environment, and the construction of file encryption systems.

J. Regularly attend various information security related or hacker attack and defense technical courses to train security skills.

Through the above information security planning and construction, we will continue to improve the security protection of FOCI's information and communications to strengthen the security of the enterprise's digital assets and establish a trustworthy digital environment for the sustainable operation of the enterprise.

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

(VII). 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

(I). Condensed financial information for the last five years

1. Condensed balance sheet information

(1). Condensed Balance Sheet － IFRS

Unit: NT$1,000

Item \ Year		2019	2020	2021	2022	2023
Current assets		913,944	1,025,160	1,186,681	1,085,059	1,495,524
Funds and Investments		435,495	498,197	565,766	508,518	415,105
Property, plant, and equipment		439,707	391,584	345,746	325,066	311,677
Other assets		338,876	293,574	301,885	346,806	364,065
Total assets		2,128,022	2,208,515	2,400,078	2,265,449	2,586,371
Current liabilities	Before distribution	345,271	463,743	556,431	523,030	369,127
	After distribution	414,548	550,817	697,734	567,343	418,447
Non-current liabilities		88,481	89,345	92,680	81,916	78,995
Total liabilities	Before distribution	433,752	553,088	649,111	604,946	448,122
	After distribution	503,029	640,162	790,414	649,259	497,442
Share capital		905,958	910,739	882,731	883,366	986,406
Capital surplus	Before distribution	578,841	585,431	554,756	555,581	1,017,177
	After distribution	578,841	585,431	554,756	555,581	967,857
Retained earnings	Before distribution	417,119	417,882	484,066	389,783	357,528
	After distribution	347,842	330,808	342,763	345,470	357,528
Other equities interest		(81,301)	(132,278)	(170,586)	(168,227)	(222,862)
Treasury stock		(126,347)	(126,347)	0	0	0
Total shareholders' equity	Before distribution	1,694,270	1,655,427	1,750,967	1,660,503	2,138,249
	After distribution	1,624,993	1,568,353	1,609,664	1,616,190	2,088,929

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

(2). Condensed Consolidated Balance Sheet – IFRS

Unit: NT$1,000

Item \ Year		2019	2020	2021	2022	2023
Current assets		1,236,166	1,327,234	1,500,553	1,416,459	1,665,886
Property, plant, and equipment		592,947	530,902	450,931	376,918	355,893
Other assets		366,132	332,230	376,024	384,552	397,322
Total assets		2,195,245	2,190,366	2,327,508	2,177,929	2,419,101
Current liabilities	Before distribution	411,508	435,230	465,879	430,268	193,125
	After distribution	480,785	522,304	607,182	474,581	242,445
Non-current liabilities		89,467	99,709	110,662	87,158	87,727
Total liabilities	Before distribution	500,975	534,939	576,541	517,426	280,852
	After distribution	570,252	622,013	717,844	561,739	330,172
Equity attributable to owners of the parent company		1,694,270	1,655,427	1,750,967	1,660,503	2,138,249
Share capital		905,958	910,739	882,731	883,366	986,406
Capital surplus	Before distribution	578,841	585,431	554,756	555,581	1,017,177
	After distribution	578,841	585,431	554,756	555,581	967,857
Retained earnings	Before distribution	417,119	417,882	484,066	389,783	357,528
	After distribution	347,842	330,808	342,763	345,470	357,528
Other equities interest		(81,301)	(132,278)	(170,586)	(168,227)	(222,862)
Treasury stock		(126,347)	(126,347)	0	0	0
Non-controlling equities		0	0	0	0	0
Total equities	Before distribution	1,694,270	1,655,427	1,750,967	1,660,503	2,138,249
	After distribution	1,624,993	1,568,353	1,609,664	1,616,190	2,088,929

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

2. Condensed income statement information

(1) Condensed statements of comprehensive income

Unit: NT$1,000

Year / Item	2019	2020	2021	2022	2023
Operating revenues	1,280,491	1,245,738	1,830,273	1,482,915	1,218,658
Operating margin	238,036	175,649	325,468	220,061	132,059
Operating (loss) profit	60,592	(1,835)	148,119	57,483	(70,111)
Non-operating income and expenses	46,599	93,580	104,473	5,874	67,943
Profit (loss) before income tax	107,191	91,745	252,592	63,357	(2,168)
Profit from continuing operations	94,180	94,844	201,644	47,021	12,058
Loss of closed units	-	-	-	-	-
Profit (loss) for the period	94,180	94,844	201,644	47,021	12,058
Other comprehensive (loss) income for the period (net of tax)	(45,369)	(75,781)	(46,888)	2,359	(54,635)
Total comprehensive (loss) income for the period	48,811	19,063	154,756	49,380	(42,577)
Earnings per share (NT$)	1.13	1.09	2.31	0.53	0.13

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

Item \ Year	2019	2020	2021	2022	2023
Operating revenues	1,614,912	1,614,479	1,988,269	1,620,659	1,271,745
Operating margin	339,120	284,828	454,646	297,130	177,817
Operating (loss) profit	96,361	83,469	241,275	97,142	(58,246)
Non-operating income and expenses	25,575	16,188	31,287	(24,466)	63,948
Profit (loss) before income tax	121,936	99,657	272,562	72,676	5,702
Profit from continuing operations	94,180	94,844	201,644	47,021	12,058
Loss of closed units	-	-	-	-	-
Profit (loss) for the period	94,180	94,844	201,644	47,021	12,058
Other comprehensive (loss) income for the period (net of tax)	(45,369)	(75,781)	(46,888)	2,359	(54,635)
Total comprehensive (loss) income for the period	48,811	19,063	154,756	49,380	(42,577)
Profit attributable to owners of the parent company	94,180	94,844	201,644	47,021	12,058
Profit attributable to non-controlling equities	-	-	-	-	-
Total comprehensive (loss)income attributable to owners of the parent company	48,811	19,063	154,756	49,380	(42,577)
Total comprehensive (loss) income attributable to non-controlling equities	-	-	-		-
Earnings per share (N T$)	1.13	1.09	2.31	0.53	0.13

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
2023	PwC Taiwan	Shu-Chian,Bai Tien-Yi Li	Unqualified opinion
2022	PwC Taiwan	Ya-Huei Cheng, Tien-Yi Li	Unqualified opinion
2021	PwC Taiwan	Ya-Huei Cheng, Yu-Kuan Lin	Unqualified opinion
2020	PwC Taiwan	Ya-Huei Cheng, Yu-Kuan Lin	Unqualified opinion
2019	PwC Taiwan	Ya-Huei Cheng, Yu-Kuan Lin	Unqualified opinion

(II). Financial analysis for the last five years

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

Analysis Item \ Year			2019	2020	2021	2022	2023
Financial structure (%)	Liabilities to Assets Ratio		20.38	25.12	27.05	26.70	17.33
	Ratio of long-term funds to property, plant, and equipment		405.44	445.57	533.24	536.02	711.39
Solvency %	Current ratio		264.7	220.44	213.27	207.46	405.15
	Quick ratio		228.36	184.89	166.51	160.94	349.01
	Times interest earned		28.66	37.64	117.94	26.64	0.49
Operating capacity	Accounts receivable turnover rate (times)		3.63	4.47	4.67	3.50	3.43
	Average cash collection days		100	82	78	104	106
	Inventory turnover (times)		8.66	7.25	6.74	4.78	4.63
	Payable turnover ratio (times)		4.51	4.69	4.39	3.8	3.73
	Average sales days		42	50	54	76	79
	Property, plant, and equipment turnover rate (times)		3.26	3.00	4.96	4.42	3.83
	Total asset turnover (times)		0.61	0.57	0.79	0.64	0.5
Profitability	Return on Assets (%)		4.60	4.46	8.83	2.1	0.64
	Return on Equity (%)		6.21	5.66	11.84	2.76	0.63
	Ratio of paid-in capital (%)	Operating profit	6.69	(0.20)	16.78	6.51	(7.11)
		Net profit before tax	11.83	10.07	28.61	7.17	(0.22)
	Profit ratio (%)		7.35	7.61	11.02	3.17	0.99
	Earnings per share (NT$)		1.13	1.09	2.31	0.53	0.13
Cash flow	Cash Flow Ratio (%)		88.05	18.19	14.57	14.08	36.23
	Cash flow adequacy ratio (%)		78.54	73.03	65.9	53.13	72.15
	Cash reinvestment ratio (%)		9.05	0.79	(0.32)	(3.9)	3.93
Leverage	Operating leverage		19.51	Note 2	12.29	25.54	Note2
	Financial leverage		1.07	Note 2	1.01	1.04	Note2

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 debt-to-assets ratio was mainly due to the decrease in total liabilities and increase in total assets.
2. The increase in ratio of long-term capital to property, plant and equipment was mainly due to the increase in total equity.
3. The increase in current ratio was mainly due to the increase in current assets and the decrease in current liabilities.
4. The increase in quick ratio was mainly due to the increase in current assets and the decrease in current liabilities.
5. The decrease in the times interest earned was mainly due to the decrease in profit before tax and interest expense.
6. The decrease in total asset turnover was mainly due to the decrease in net sales.
7. The decrease in return on assets was mainly due to the decrease in the profit after tax.
8. The decrease in return on equity was mainly due to the decrease in earnings after tax and the increase in average equities.
9. The decrease in operating income as a percentage of paid-in capital was mainly due to the decrease in operating income.
10. The decrease in earnings before tax as a percentage of paid-in capital was mainly due to the decrease in profit before tax.
11. The decrease in profit ratio was mainly due to the decrease in profit after tax.
12. The decrease in earnings per share was mainly due to the decrease in profit attributable to owners of the parent company.
13. The increase in cash flow ratio was mainly due to the decrease in current liabilities.
14. The increase in cash flow adequacy ratio was mainly due to the increase in net cash flow from operating activities in the past five years.
15. The increase in cash reinvestment ratio was mainly due to the increase in net cash flow from operating activities and the decrease in cash dividends.

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 = total liabilities／total assets
   (2) Ratio of long fund to real estate, properties and equipment = (total equity + non-current liabilities)/net amount of real estate, property and equipment
2. Solvency
   (1) Current ratio = current assets/current liabilities
   (2) Quick ratio = (current assets-inventory-prepaid expense)/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 = [net income + interest expense*(1-tax rate)]/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 = (net income attributed to parent company owner - preferred stock dividend)/weighted average stock shares issued (note 4)
5. Cash flow
   (1) Cash flow ratio = net cash flow from operating activity/current liabilities
   (2) Cash flow adequacy ratio = (net cash flow from operating activities within five year/(capital expenditure + inventory increase + cash dividend) within five year
   (3) Cash re-investment ratio = (net cash flow from operating activity -cash dividend)/(total fixed assets + long-term investment + other assets + working capital) (note 5)
6. Balance:
   (1) Operation balance = (net operating income-operating variable cost and expense)/operating income (note 6)
   (2) Financial balance = operating income/(operating income-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)

Analysis Item \ Year			2019	2020	2021	2022	2022
Financial structure (%)	Liabilities to Assets Ratio		22.82	24.50	24.77	23.76	11.61
	Ratio of long-term funds to property, plant, and equipment		300.83	330.60	412.84	463.67	625.46
Solvency %	Current ratio		300.4	303.84	322.09	329.2	862.59
	Quick ratio		249.48	243.47	242.94	247.92	729.16
	Times interest earned		25.71	29.67	66.55	19.11	2.05
Operating capacity	Accounts receivable turnover rate (times)		3.21	3.86	4.62	4.03	4.15
	Average cash collection days		113	95	79	91	88
	Inventory turnover (times)		4.83	4.98	4.35	3.25	3.21
	Payable turnover ratio (times)		6.21	6.76	6.41	6.66	8.8
	Average sales days		75	73	84	112	114
	Property, plant, and equipment turnover rate (times)		2.91	2.87	4.05	3.92	3.47
	Total asset turnover (times)		0.75	0.74	0.88	0.72	0.55
Profitability	Return on Assets (%)		4.59	4.45	9.07	2.23	0.71
	Return on Equity (%)		6.21	5.66	11.84	2.76	0.63
	Ratio of paid-in capital (%)	Operating profit	10.64	9.16	27.33	11.00	(5.9)
		Net profit before tax	13.46	10.94	30.88	8.23	0.58
	Profit ratio (%)		5.83	5.87	10.14	2.9	0.95
	Earnings per share (NT$)		1.13	1.09	2.31	0.53	0.13
Cash flow	Cash Flow Ratio (%)		70.27	36.96	36.84	50.22	99.73
	Cash flow adequacy ratio (%)		58.02	79.13	89.62	89.95	104.1
	Cash reinvestment ratio (%)		7.94	4.43	4.33	4.13	6.29
Leverage	Operating leverage		15.96	18.92	7.82	15.85	Note2
	Financial leverage		1.05	1.04	1.02	1.04	Note2

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 debt-to-assets ratio was mainly due to the decrease in total liabilities and increase in total assets.. 2. The increase in ratio of long-term capital to property, plant and equipment was mainly due to the increase in total equity. 3. The increase in current ratio was mainly due to the increase in current assets and the decrease in current liabilities. 4. The increase in quick ratio was mainly due to the increase in current assets and the decrease in current liabilities. 5. The decrease in the times interest earned was mainly due to the decrease in net income before tax and interest expense. 6. The decrease in payables turnover rate was mainly due to the decline in sales, which caused the cost of goods sold to decrease by 17.3% compared to the previous period and the average accounts payable decreased by 37% compared to the previous period. 7. The decrease in total asset turnover was mainly attributable to the decrease in net sales. 8. The decrease in return on assets was mainly due to the decrease in profit after tax. 9. The decrease in return on equity was mainly due to the decrease in profit after tax and the increase in average equities. 10. The decrease in operating income as a percentage of paid-in capital was mainly due to the decrease in operating income. 11. The decrease in earnings before tax as a percentage of paid-in capital was mainly due to the decrease in profit before tax. 12. The decrease in profit ration was mainly due to the decrease in profit after tax. 13. The decrease in earnings per share was mainly due to the decrease in profit attributable to owners of the parent company. 14. The increase in cash flow ratio was mainly due to the decrease in current liabilities. 15. The increase in cash reinvestment ratio was mainly due to the decrease in cash dividends.

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 ＝ total liabilities／total assets
   (2) Ratio of long fund to real estate, properties and equipment ＝ (total equity + non-current liabilities)/net amount of real estate, property and equipment
2. Solvency
   (1) Current ratio = current assets/current liabilities
   (2) Quick ratio = (current assets-inventory-prepaid expense)/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 = [net income + interest expense*(1-tax rate)]/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 = (net income attributed to parent company owner - preferred stock dividend)/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 = (net cash flow from operating activities within five year/(capital expenditure + inventory increase + cash dividend) within five year
   (3) Cash re-investment ratio = (net cash flow from operating activity -cash dividend)/(total fixed assets + long-term investment + other assets + working capital) (note 4)
6. Balance:
   (1) Operation balance = (net operating income-operating variable cost and expense)/operating income (note 5)
   (2) Financial balance = operating income/(operating income-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.

(III). The audit committee review report of the most recent annual financial report

Audit Committee's Review Report

The board of directors prepared the Company's 2023 annual Business Report, Financial Statements, and Earnings Distribution proposal, among which the Financial Statements were audited by accountants Shu-Chian Bai and Tien-Yi Li from PricewaterhouseCoopers Taiwan; an audit report has been issued. The audit committee has reviewed the above-mentioned Business Report, Financial Statements, and Earnings Distribution; there is no discrepancy. The report follows the relevant provisions of the Securities and Exchange Act and the Company Act. Please review.

Sincerely,

FOCI Fiber Optic Communications, Inc.

2024Annual General Shareholders' Meeting

The Audit Committee

Convener: Mei-huei Li

Feb 22, 2024

(IV). Financial report of the most recent year (2023): see Appendix 2.

(V). Financial report of the most recent year (2023) audited and certified by CPA: see Appendix 3.

(VI). **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

(I). Financial status

Unit: NT$1,000; %

Item \ Year	2023	2022	Difference	
			Amount	%
Current assets	1,665,886	1,416,459	249,427	17.61
Property, plant, and equipment	355,893	376,918	(21,025)	(5.58)
Other assets	397,322	384,552	12,770	3.32
Total assets	2,419,101	2,177,929	241,172	11.07
Current liabilities	193,125	430,268	(237,143)	(55.12)
Non-current liabilities	87,727	87,158	569	0.65
Total liabilities	280,852	517,426	(236,574)	(45.72)
Share capital	986,406	883,366	103,040	11.66
Capital surplus	1,017,177	555,581	461,596	83.08
Retained earnings	357,528	389,783	(32,255)	(8.28)
Total equity	2,138,249	1,660,503	477,746	28.77
Note: 1.The decrease in current liabilities was mainly due to the decrease in short-term borrowings. 2.The decrease in total liabilities was mainly due to the decrease in current liabilities. 3.The increase in capital surplus was mainly due to the issuance premium for cash capital increase. 4.The increase in total equity was mainly due to the increase in share capital and capital surplus from cash capital increase.				

Comparative analysis of non-consolidated financial status

Unit: NT$1,000; %

Item \ Year	2023	2022	Difference	
			Amount	%
Current assets	1,495,524	1,085,059	410,465	37.83
Property, plant, and equipment	311,677	325,066	(13,389)	(4.12)
Other assets	779,170	855,324	(76,154)	(8.90)
Total assets	2,586,371	2,265,449	320,922	14.17
Current liabilities	369,127	523,030	(153,903)	(29.43)
Non-current liabilities	78,995	81,916	(2,921)	(3.57)
Total liabilities	448,122	604,946	(156,824)	(25.92)
Share capital	986,406	883,366	103,040	11.66
Capital surplus	1,017,177	555,581	461,596	83.08
Retained earnings	357,528	389,783	(32,255)	(8.28)
Total equity	2,138,249	1,660,503	477,746	28.77

Note: 1. The increase in current assets was mainly due to the increase in cash. 2. The increase in total assets was mainly due to the increase in current assets. 3. The decrease in current liabilities was mainly due to the decrease in short-term borrowings. 4. The decrease in total liabilities was mainly due to the decrease in current liabilities. 5. The increase in share capital was mainly due to the increase in cash capital increase. 6. The increase in capital surplus was mainly due to the issuance premium for cash capital increase. 7. The increase in total equity was mainly due to the increase in share capital and capital surplus from cash capital increase.

(II). Financial performance

1. Consolidated financial statements

Unit: NT$1,000; %

Item \ Year	2023	2022	Increase (decrease) amount	Change ratio (%)
Sales revenues	1,271,745	1,620,659	(348,914)	(21.53)
Operating costs	1,093,928	1,323,529	(229,601)	(17.35)
Operating margin	177,817	297,130	(119,313)	(40.16)
Operating expenses	236,063	199,988	36,075	18.04
Operating income(loss)	(58,246)	97,142	(155,388)	(159.96)
Non-operating income and expenses	63,948	(24,466)	88,414	(361.37)
Profit (loss)before tax	5,702	72,676	(66,974)	(92.15)
Income tax expense (benefit)	(6,356)	25,655	(32,011)	(124.77)
Net profit	12,058	47,021	(34,963)	(74.36)
Analysis of increase and decrease changes: 1. The decrease in sales revenue was mainly due to the decrease in orders from customers. 2. The decrease in operating margin was mainly due to the decrease in sales revenue. 3. The decrease in operating income was mainly due to the decrease in sales revenue and operating margin. 4. The increase in non-operating income and expenses was mainly due to the increase in other gains and losses. 5. The decrease in profit before tax was mainly due to the decrease in operating income. 6. The decrease in income tax expense was mainly due to the decrease in profit before tax. 7. The decrease in net profit was mainly due to the decrease in profit before tax.				

Unconsolidated Financial Statements

Unit: NT$1,000; %

Item \ Year	2023	2022	Increase (decrease) amount	Change ratio (%)
Sales revenues	1,218,658	1,482,915	(264,257)	(17.82)
Operating costs	1,086,593	1,262,854	(176,261)	(13.96)
Unrealized inter-affiliate sales gains	(6)	0	(6)	N/A
Operating margin	132,059	220,061	(88,002)	(39.99)
Operating expenses	202,170	162,578	39,592	24.35
Operating income(loss)	(70,111)	57,483	(127,594)	(221.97)
Non-operating income and expenses	67,943	5,874	62,069	1,056.67
Profit (loss) before tax	(2,168)	63,357	(65,525)	(103.42)
Income tax expense (benefit)	(14,226)	16,336	(30,562)	(187.08)
Net profit	12,058	47,021	(34,963)	(74.36)

Analysis of increase and decrease changes:
1. The decrease in operating margin profit was mainly due to the decrease in sales revenues.
2. The increase in operating expenses was mainly due to the increase in research and development expenses.
3. The decrease in operating income was mainly due to the decrease in sales revenues and operating margin.
4. The increase in non-operating income and expenses was mainly due to the increase in other gains and losses.
5. The decrease in profit before tax was mainly due to the decrease in operating income.
6. The decrease in income tax expense was mainly due to the decrease in profit before tax
6. The decrease in net profit was mainly 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.

(III). Cash flows

1. Analysis of cash flow changes in the most recent year

Unit: %

Item \ Year	2023	2022	Increase (decrease) Ratio (%)
Cash Flow Ratio (%)	99.73	50.22	98.59
Cash flow adequacy ratio (%)	104.1	89.95	15.73
Cash reinvestment ratio (%)	6.29	4.13	52.3

Description of the change analysis of the ratio of increase and decrease:
1.The increase in cash flow ratio was mainly due to the decrease in current liabilities.
2.The increase in cash reinvestment ratio was mainly due to the decrease in cash dividends.

Note: Cash flow ratio = net cash flow from operating activities / current liabilities.

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

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

Consolidated cash flow changes in 2023：

Unit: NT$1,000

Cash balance at beginning of year	Annual net cash flow from operating activities	Cash outflow due to investing and financing activities	Cash surplus	Remedial measures for cash deficit	
				Investment plans	Financing plans
561,256	192,603	159,181	913,040	-	-

(1) Cash flow from Operation Activities：Mainly due to factors such as the depreciation expenses , decreases in accounts receivable and inventory in the current period, resulting cash flows from operating activities.

(2) Cash flow from Investing Activities: Mainly due to the increase in the purchase of fixed assets and prepaid equipment this year, resulting cash flows used in investing activities.

(3) Cash flow from Financing Activities：Mainly due to repayment of bank borrowings and cash capital increase during the year, resulting cash flows from financing activities.

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 cash inflow.

(IV). The impact of significant capital expenditures on finances and business in the most recent year:

The consolidated capital expenditure (including prepaid equipment payment) in 2023 was approximately NT$104,527 thousand. The source of funds was its own funds, which were used to purchase research and development and machinery equipments to meet the company's operational planning and development needs.

(V). 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: $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 12,200	Investment holding company to establish a production base in mainland China	NTD11,588	FOCI Shanghai 2023 profit recognized	—
Shanghai FOCI Fiber Optic Communications, Inc.	USD7,200	Production base and marketing base in mainland China	NTD11,670	Product mix of customer orders is good	—
Jiangxi FOCI Fiber Optic Communication, Inc.	USD5,000	Production base	NTD(82)		
Zhongshan FOCI Fiber Optic Communications, Inc.	RMB20,000	Production base	NTD6,098	Product mix of customer orders is good	

3. Investment plan for the following year: There is no reinvestment plan in 2024.

(VI). 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 2023 and 2022 were NT$5,440 thousand and NT$4,014 thousand, respectively, accounting for 0.43% and 0.25% 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	2023	2022
Exchange (gain) loss (1)	8,716	50,896
Sales revenue(2)	1,271,745	1,620,659
Operating (loss) income (3)	(58,246)	97,142
(1)/(2)	0.69%	3.14%
(1)/(3)	(14.96%)	52.39%

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 and do not engage in high-risk, high-leveraged investments.

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

Unit：RMB 1,000

creditor	Borrower	Nature of loan	2023/12/31 Balance	as of the date of publication of the annual report Balance
Jiangxi FOCI Fiber Optic Communication, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	Operating capital	22,000	22,000

(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 RMB 8,000 thousand and its subsidiary Zhongshan FOCI Fiber Optic Communications, Inc. with an endorsement guarantee amount of RMB 10,000 thousand.

(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 CPO optical elements and the process development. 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 ReLFAConTM (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) Automated process equipment development

In order to enhance the competitiveness of the Company's production and provide automation and intelligence in the manufacturing process of optical passive components, FOCI has completed the first set of automated production line for cable production, which will carry out a series of automated linkages from cable cutting, stripping, threading, component assembly, baking, grinding and testing, etc., which effectively reduces the reliance on manpower and creates a highly reliable and stable manufacturing process. We will continue to invest in automation production equipment and process development for FA, MPO and other products to meet the needs of end customers.

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 5% 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 2023.

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.

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. 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. 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. For FOCI’s overall operation plan, the parent company in Taiwan is in charge of receiving orders and R&D works, coordinating the Group’s resources for raw material procurement and production allocation. 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 customers, 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:

The former director of the Company, "Beolym Corporation" of the British Virgin Islands, was dismissed naturally on March 4, 2024 because the balance of the shares held after transfer was less than one-half of the shares held at the time of its appointment, and in accordance with Article 197 of the Company Act, a director is dismissed naturally when he has transferred more than one-half of the shares held at the time of the appointment during the term of office. Therefore, on March 4, 2024, Beolym Corporation of the British Virgin Islands and its representative, Hsin-tse Tsai, was dismissed as a director and insider. The Company will hold a general election of directors at the 2024 General Shareholders' Meeting. There is currently 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:

The former director of the Company, "Beolym Corporation" of the British Virgin Islands, was dismissed naturally on March 4, 2024. As of the publication date of the annual report, the number of seats on the board of directors has changed 1/7. The company will conduct a comprehensive re-election of directors at the 2024 regular shareholders' meeting. There should be no major changes in management rights at present.

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.

(VII). 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.

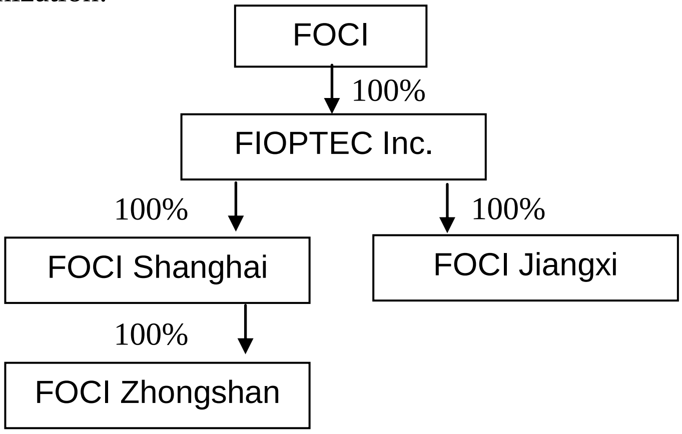
Network attacks and confidential information theft are frequent and imminent dangers. FOCI has established a security control mechanism for the computer network system to ensure the security of data transmission over network, protect network operations, and prevent unauthorized system access from causing 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

(I). 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

2023/12/31

Affiliated Enterprise	Relationship to the Affiliated Enterprise	Actual investment amount ($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
FIOPTEC Inc.(Cayman Islands)	Subsidiaries of the Company	USD 12,200	12,200	100%	–	–
Shanghai FOCI Fiber Optic Communications, Inc.	The Company invested through FIOPTEC Inc. (Cayman Islands)	USD 7,200	(Note)	100%	–	–
Jiangxi FOCI Fiber Optic Communication, Inc.	The Company invested through FIOPTEC 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
FIOPTEC 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 earnings per share amouts)

Name	Currency	Capital Amount	Total Assets	Total Liabilities	Net Value	Operating Income	Operating Profit (Loss)	Profit and loss for the period (after tax)	EPS
FOCI	NTD	986,406	2,419,101	280,852	2,138,249	1,271,745	(58,246)	12,058	0.13
FIOPTEC	USD	12,200	13,312	-	13,312	-	-	372	N/A
FOCI Shanghai	RMB	57,140	91,704	21,053	70,651	95,525	1,559	2,654	N/A
FOCI Zhongshan	RMB	20,000	66,736	47,806	18,930	102,227	1,973	1,387	N/A
FOCI Jiangxi	RMB	30,858	24,338	594	23,744	-	(815)	(18)	N/A

2. Consolidated financial report with affiliates: see Appendix 3: 2023 consolidated financial report

3. Relation report: not applicable

(II). 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.

(III). 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.

(IV). 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

22 Feb 2024

The following statement presents the results of self-evaluation on FOCI's internal control system in 2023:

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, 2023, 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 port 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 22, 2024. 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: 2023 parent company only financial statements and independent auditors' report

FOCI FIBER OPTIC COMMUNICATIONS, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2023 AND 2022

For the convenience of readers and for information purpose only, the 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. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR23003643

To the Board of Directors and Shareholders of FOCI Fiber Optic Communications, Inc.

Opinion

We have audited the accompanying parent company only balance sheets of FOCI Fiber Optic Communications, Inc. as at December 31, 2023 and 2022, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of material accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of FOCI Fiber Optic Communications, Inc. as at December 31, 2023 and 2022, and its parent company only financial performance and its parent company only 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 that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Financial Statements Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the parent company only Financial Statements* section of our report. We are independent of FOCI Fiber Optic Communications, Inc. in accordance with 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 Inventory Valuation

Description of key audit matter

Refer to Note 4(14) for accounting policies on inventory valuation, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to inventory valuation losses, and Note 6(6) for details of inventories. FOCI Fiber Optic Communications, Inc. is primarily engaged in researching, developing, manufacturing, selling of optical fiber communication. Due to the rapid innovations in communication technology and the highly competitive market, there was a higher risk of incurring inventory loss on decline in market value or having obsolete inventory. Given that the net realisable value used in the inventory valuation usually involved subjective judgement and estimation uncertainty, and the inventories were material to the financial statements, we considered the inventory valuation as one of the key audit matters.

How the matter was addressed in our audit

In relation to the key audit matter above, our principal audit procedures the inventory valuation losses are as follows:

1. Obtained an understanding on the Company's operations and its industry characteristic to assess the reasonableness of the Company's policies on and procedures for allowance for inventory valuation losses.

2.Assessed and tested the reasonableness of the basis of net realisable value used by management and the accuracy of the net realisable value calculation.

3. Acquired management's individually identified obsolete or damaged inventory list, inspected the related supporting documents and proper recognition in the financial statements.

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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, 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 FOCI Fiber Optic Communications, Inc. 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 FOCI Fiber Optic Communications, Inc. 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 FOCI Fiber Optic Communications, Inc. financial reporting process.

Auditor's responsibilities for the audit of the 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 FOCI Fiber Optic Communications, Inc.'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 FOCI Fiber Optic Communications, Inc.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's 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 FOCI Fiber Optic Communications, Inc. 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 of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Shu-Chien Pai	Li, Tien-Yi

For and on behalf of PricewaterhouseCoopers, Taiwan

February 22, 2024

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

FOCI FIBER OPTIC COMMUNICATIONS, INC.
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2023 AMOUNT	%	December 31, 2022 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 729,191	28	$ 314,320	14
1110	Financial assets at fair value through profit or loss - current	6(2)	210,400	8	162,800	7
1150	Notes receivable, net	6(5)	641	-	92	-
1170	Accounts receivable, net	6(5)	263,390	10	302,517	13
1180	Accounts receivable - related parties	6(5) and 7	81,307	3	61,290	3
1200	Other receivables		1,504	-	379	-
1210	Other receivables - related parties	7	1,856	-	347	-
130X	Inventories	6(6)	200,171	8	236,762	11
1470	Other current assets		7,064	1	6,552	-
11XX	**Current Assets**		1,495,524	58	1,085,059	48
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	148,087	6	192,265	9
1535	Non-current financial assets at amortised cost, net	6(4) and 8	2,939	-	2,939	-
1550	Investments accounted for using equity method	6(7)	415,105	16	508,518	23
1600	Property, plant and equipment	6(8)	311,677	12	325,066	14
1755	Right-of-use assets	6(9)	74,728	3	79,934	4
1760	Investment property - net	6(11)	51,405	2	53,528	2
1780	Intangible assets		7,243	-	2,806	-
1840	Deferred income tax assets	6(29)	25,212	1	9,211	-
1900	Other non-current assets	7	54,451	2	6,123	-
15XX	**Non-current assets**		1,090,847	42	1,180,390	52
1XXX	**Total assets**		$ 2,586,371	100	$ 2,265,449	100

(Continued)

FOCI FIBER OPTIC COMMUNICATIONS, INC.
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2023 AMOUNT	%	December 31, 2022 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(13)	$ -	-	$ 180,000	8
2130	Current contract liabilities	6(22)	2,256	-	6,089	-
2150	Notes payable		1,873	-	1,546	-
2170	Accounts payable		43,781	2	35,741	2
2180	Accounts payable - related parties	7	272,752	10	226,419	10
2200	Other payables	6(15) and 7	43,465	2	49,097	2
2230	Current income tax liabilities		-	-	10,610	1
2280	Current lease liabilities		3,449	-	5,014	-
2300	Other current liabilities	6(14)	1,551	-	8,514	-
21XX	**Current Liabilities**		369,127	14	523,030	23
	Non-current liabilities					
2570	Deferred tax liabilities	6(29)	3,926	-	3,683	-
2580	Non-current lease liabilities		73,355	3	76,519	4
2600	Other non-current liabilities		1,714	-	1,714	-
25XX	**Non-current liabilities**		78,995	3	81,916	4
2XXX	**Total Liabilities**		448,122	17	604,946	27
	Equity					
	Share capital	6(18)				
3110	Share capital - common stock		986,406	38	883,366	39
	Capital surplus	6(19)				
3200	Capital surplus		1,017,177	39	555,581	24
	Retained earnings	6(20) and 11				
3310	Legal reserve		135,135	5	130,433	6
3320	Special reserve		168,227	7	170,586	7
3350	Unappropriated retained earnings		54,166	2	88,764	4
	Other equity interest	6(21)				
3400	Other equity interest		(222,862)	(8)	(168,227)	(7)
3XXX	**Total equity**		2,138,249	83	1,660,503	73
	Significant events after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 2,586,371	100	$ 2,265,449	100

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

FOCI FIBER OPTIC COMMUNICATIONS, INC.
STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

	Items	Notes	2023 AMOUNT	2023 %	2022 AMOUNT	2022 %
4000	Sales revenue	6(22)	$ 1,218,658	100	$ 1,482,915	100
5000	Operating costs	6(6)	(1,086,593)	(89)	(1,262,854)	(85)
5900	Net operating margin		132,065	11	220,061	15
5910	Unrealized profit from sales		(6)	-	-	-
5950	Net operating margin		132,059	11	220,061	15
	Operating expenses	6(27)(28)				
6100	Selling expenses		(23,293)	(2)	(29,841)	(2)
6200	General and administrative expenses		(70,852)	(6)	(55,493)	(4)
6300	Research and development expenses		(109,775)	(9)	(77,580)	(5)
6450	Expected credit gains		1,750	-	336	-
6000	Total operating expenses		(202,170)	(17)	(162,578)	(11)
6900	Operating (loss) profit		(70,111)	(6)	57,483	4
	Non-operating income and expenses					
7100	Interest income	6(23)	5,709	1	1,301	-
7010	Other income	6(24)	16,821	1	2,229	-
7020	Other gains and losses	6(25)	42,284	3	(47,097)	(3)
7050	Finance costs	6(26)	(4,219)	-	(2,471)	-
7070	Share of profit of associates and joint ventures accounted for using equity method	6(7)	7,348	1	51,912	3
7000	Total non-operating income and expenses		67,943	6	5,874	-
7900	**Profit (loss) before income tax**		(2,168)	-	63,357	4
7950	Income tax (expense) benefit	6(29)	14,226	1	(16,336)	(1)
8200	**Profit for the year**		$ 12,058	1	$ 47,021	3
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)(21)	($ 44,177)	(3)	($ 5,680)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(21)	(13,072)	(1)	10,049	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(21)(29)	2,614	-	(2,010)	-
8300	**Other comprehensive (loss) income for the year**		($ 54,635)	(4)	$ 2,359	-
8500	**Total comprehensive (loss) income for the year**		($ 42,577)	(3)	$ 49,380	3
	Basic earnings per share	6(30)				
9750	Basic earnings per share		$ 0.13		$ 0.53	
	Diluted earnings per share	6(30)				
9850	Diluted earnings per share		$ 0.13		$ 0.53	

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

FOCI FIBER OPTIC COMMUNICATIONS, INC.
STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

				Retained earnings			Other equity interest			
	Notes	Share capital - common stock	Capital surplus, additional paid-in capital	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 stocks	Total equity
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(20)									
Legal reserve		-	-	15,326	-	(15,326)	-	-	-	-
Special reserve		-	-	-	38,309	(38,309)	-	-	-	-
Cash dividends		-	-	-	-	(141,304)	-	-	-	(141,304)
Convertible corporate bond conversion	6(18)(19)	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
2023										
Balance at January 1, 2023		$ 883,366	$ 555,581	$ 130,433	$ 170,586	$ 88,764	($ 31,436)	($ 136,791)	$ -	$1,660,503
Net profit		-	-	-	-	12,058	-	-	-	12,058
Other comprehensive loss for the year		-	-	-	-	-	(10,458)	(44,177)	-	(54,635)
Total comprehensive income (loss)		-	-	-	-	12,058	(10,458)	(44,177)	-	(42,577)
Distribution of retained earnings of 2022:	6(20)									
Legal reserve		-	-	4,702	-	(4,702)	-	-	-	-
Special reserve		-	-	-	(2,359)	2,359	-	-	-	-
Cash dividends		-	-	-	-	(44,313)	-	-	-	(44,313)
Convertible corporate bond conversion	6(18)(19)	3,040	3,852	-	-	-	-	-	-	6,892
Cash capital increase	6(18)(19)	100,000	428,000	-	-	-	-	-	-	528,000
Share-based payments	6(17)(19)(28)	-	29,744	-	-	-	-	-	-	29,744
Balance at December 31, 2023		$ 986,406	$1,017,177	$ 135,135	$ 168,227	$ 54,166	($ 41,894)	($ 180,968)	$ -	$2,138,249

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

FOCI FIBOR OPTIC COMMUNICATIONS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) profit before tax		($ 2,168)	$ 63,357
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(27)	70,132	67,683
Amortisation expense	6(27)	1,655	570
Expected credit gains	12(2)	(1,750)	(336)
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	6(25)	(47,600)	74,690
Interest expense	6(26)	4,219	2,471
Interest income	6(23)	(5,709)	(1,301)
Dividend income	6(3)(24)	(15,223)	(1,095)
Share-based payments	6(17)(28)	29,744	-
Share of profits of subsidiaries, associates and joint ventures	6(7)	(7,348)	(51,912)
Loss (gain) on disposal of property, plant and equipment	6(25)	3,189	(97)
Impairment loss of investments accounted for using equity method	6(25)	3,790	-
Unrealized (realized) gains with subsidiaries	6(7)	(13)	97
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(549)	935
Accounts receivable		40,877	116,041
Accounts receivable from related parties		(20,017)	(1,845)
Other receivables		(434)	(6)
Other receivables from related parties		(3,240)	(332)
Inventories		36,591	18,776
Other current assets		(512)	400
Changes in operating liabilities			
Contract liabilities - Current		(3,833)	3,113
Notes payable		327	(357)
Accounts payable		8,040	(40,050)
Accounts payable to related parties		46,333	(97,699)
Other payables		(5,703)	(36,352)
Other current liabilities		(134)	(1,893)
Cash inflow generated from operations		130,664	114,858
Dividends received	6(3)	15,223	1,095
Income taxes paid		(12,140)	(42,315)
Net cash flows from operating activities		133,747	73,638

(Continued)

FOCI FIBOR OPTIC COMMUNICATIONS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through other comprehensive income		$ -	($ 70,002)
Proceeds from disposal of financial assets at amortised cost		-	58
Acquisition of financial assets at fair value through profit or loss		-	(237,460)
Dividends paid by subsidiaries		-	117,102
Proceeds from capital reduction of investments accounted for using equity method	6(7)	86,526	-
Acquisition of property, plant and equipment	6(31)	(53,278)	(10,699)
Proceeds from disposal of property, plant, and equipment		1,158	290
Decrease in guarantee deposits paid		2,468	597
Acquisition of intangible assets		(6,092)	(2,954)
Increase in prepayments for equipment		(49,065)	(5,251)
Interest received		5,018	1,239
Net cash flows used in investing activities		(13,265)	(207,080)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term loans	6(32)	460,000	360,000
Decrease in short-term loans	6(32)	(640,000)	(200,000)
Decrease in guarantee deposits received		-	(372)
Payments of lease liabilities	6(32)	(5,054)	(5,378)
Cash dividends paid	6(20)	(44,313)	(141,304)
Cash capital increase	6(18)	528,000	-
Interest paid		(4,244)	(2,239)
Net cash flows from financing activities		294,389	10,707
Net increase (decrease) in cash and cash equivalents		414,871	(122,735)
Cash and cash equivalents at beginning of year		314,320	437,055
Cash and cash equivalents at end of year		$ 729,191	$ 314,320

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

FOCI FIBER OPTIC COMMUNICATIONS, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organization

   FOCI Fiber Optic Communications, Inc. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on June 14, 1995 and started operation in September 1995. The Company is primarily engaged in the research, manufacture and sales of various passive fiber optical components, fiber optic test equipment, fiber optics application system and plan, design, consulting and technology services of system integration of the aforementioned products.

   The Company's stock was listed on the Taipei Exchange on February 25, 2011.

2. The Date of Authorization for Issuance of the parent company only Financial Statements and Procedures for Authorization

   These parent company only financial statements were authorized for issuance by the Board of Directors on February 22, 2024.

3. Application of New Standards, Amendments and Interpretations

   (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") Accounting Standards 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 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023
Amendments to IAS 12, 'International tax reform - pillar two model rules'	May 23, 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.

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

New standards, interpretations and amendments endorsed by the FSC and will become effective from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 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.

(3) IFRS Accounting Standards 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 Accounting Standards as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025

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 Material Accounting Policies

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

(1) Compliance statement

The 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) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income.

B. The preparation of financial statements in conformity with 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”) 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) Foreign currency translation

The parent company only financial statements are presented in New Taiwan Dollar, which is the Company’s functional currency.

A. Foreign currency transactions and balances

(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 recognized 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 re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized’ in profit or loss.

(c) 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 recognized’ 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 recognized’ in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

The operating results and financial position of all the Company entities, associates and joint arrangements 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 recognized' in other comprehensive income.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realized, 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 realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

Otherwise they are classified as non-current assets.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(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.

Otherwise they are classified as non-current liabilities.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts 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 commitments in operations are classified as cash equivalents.

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

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized' and derecognized' using trade date accounting.

C. 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 recognizes the gain or loss in profit or loss.

D. The Company recognizes 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

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized' and derecognized' using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognized 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 recognized as revenue 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 amortized cost

A. Financial assets at amortized 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.

B. On a regular way purchase or sale basis, financial assets at amortized cost are recognized' and derecognized' using trade date accounting.

C. Restricted bank deposits are classified as financial assets at amortized cost due to not meeting the definition of cash and cash equivalents.

D. 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

A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. 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 financial assets at amortized cost, at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Operating lease (lessor)

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

(13) Leasing arrangements (lessor)－lease receivables/ operating leases

A. Based on the terms of a lease contract, a lease is classified as a finance lease if the lessee assumes substantially all the risks and rewards incidental to ownership of the leased asset.

(a) At commencement of the lease term, the lessor should record a finance lease in the balance sheet as 'lease receivables' at an amount equal to the gross investment in the lease (including initial direct costs). The difference between gross lease receivable and the present value of the receivable is recognized' as 'unearned finance income of finance lease'.

(b) The lessor should allocate finance income over the lease term based on a systematic and rational basis reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

(c) Lease payments (excluding costs for services) during the lease term are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

B. Lease income from an operating lease (net of any incentives given to the lessee) is recognized' 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 realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, 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 realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

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

A. 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.

B. Unrealized 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.

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized' in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized' 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 recognize losses proportionate to its ownership.

D. 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 recognized' directly in equity.

E. 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 recognized' in profit or loss. All amounts previously recognized' 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 recognized' 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.

F. 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 recognized' at cost.

G. The Company's share of its associates' post-acquisition profits or losses is recognized' in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized' 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 recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

H. 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 recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

I. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized 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.

J. 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 recognized' 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.

K. When the Company disposes its investment in an associate and loses significant influence over the associate, the amounts previously recognized' 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 recognized' in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

L. 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

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset’s carrying amount or recognized’ 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 derecognized’. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other 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.

D. 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 ~ 55 years
Machinery and equipment	5 ~ 8 years
R&D equipment	3 years
Transportation equipment	5 years
Office equipment	5 ~ 10 years

(17) Leasing arrangements (lessee)－right-of-use assets/ lease liabilities

A. Leases are recognized’ 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.

B. 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 payments, less any lease incentives receivable;

(b) Variable lease payments that depend on an index or a rate;

(c) Amounts expected to be payable by the lessee under residual value guarantees;

(d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and

(e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Company subsequently measures the lease liability at amortized 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.

C. 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 initial direct costs incurred by the lessee; and

(d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying 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

An investment property is stated initially at its cost and measured subsequently using the cost model. Investment property is depreciated on a straight-line basis over its estimated useful life of 8 ~ 55 years.

(19) Intangible assets

Computer software is stated at cost and amortized 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 recognized' 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 recognizing 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 amortized historical cost would have been if the impairment had not been recognized'.

(21) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized' initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized' in profit or loss over the period of the borrowings using the effective interest method.

(22) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

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

(23) Convertible bonds payable

A. Convertible bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

(a)The embedded call options and put options are recognized' initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognized' as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

(b)The host contracts of bonds are initially recognized' at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortized in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.

(c)The embedded conversion options which meet the definition of an equity instrument are initially recognized' in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.

(d)Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.

(e)When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable' and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus—share options'.

(24) Derecognition of financial liabilities

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

(25) Non-hedging and embedded derivatives

A. Non-hedging derivatives are initially recognized' at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognized' in profit or loss.

B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognized' as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortized cost based on the contract terms.

C. Under the non-financial assets, whether the hybrid contracts embedded with derivatives are accounted for separately at initial recognition is based on whether the economic characteristics and risks of an embedded derivative are closely related in the host contract. When they are closely related, the entire hybrid instrument is accounted for by its nature in accordance with the applicable standard. When they are not closely related, the derivative is accounted for differently from the host contract as derivative while the host contract is accounted for by its nature in accordance with the applicable standard. Alternatively, the entire hybrid instrument is designated as financial liabilities at fair value through profit or loss upon initial recognition.

(26) Employee benefits

A. 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 recognized' as expense in that period when the employees render service.

B. Pensions

Defined contribution plans

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

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized' as expense and liability, 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) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized' as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized' is based on the number of equity instruments that eventually vest.

(28) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized' in profit or loss, except to the extent that it relates to items recognized' in other comprehensive income or items recognized' directly in equity, in which cases the tax is recognized' in other comprehensive income or equity.

B. 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 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.

C. Deferred tax is recognized', 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 and does not give rise to equal taxable and deductible temporary differences. 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 realized or the deferred tax liability is settled.

D. Deferred tax assets are recognized' only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized' and recognized' deferred tax assets are reassessed.

(29) Share capital

A. 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.

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(30) Dividends

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

(31) Revenue recognition

A. 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 recognized' 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 recognized' 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.

B. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Company recognizes the incremental costs of obtaining a contract as an expense when incurred although the Company expects to recover those costs.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these parent company only financial statements requires management to make critical judgements 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 continually 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 related information is addressed below:

(1)Critical judgements in applying the Company's accounting policies

None.

(2)Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Company must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2023, the carrying amount of inventories was $200,171.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand and petty cash	$ 50	$ 50
Checking accounts and demand deposits	52,973	85,270
Time deposits	676,168	229,000
Total	$ 729,191	$ 314,320

A. 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.

B. The Company's restricted cash and cash equivalents were classified as "non-current financial assets at amortized cost", please refer to Notes 6(4) and 8.

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

	December 31, 2023	December 31, 2022
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	$ 237,460	$ 237,460
Valuation adjustment	(27,060)	(74,660)
	$ 210,400	$ 162,800
Financial assets held for trading		
Derivatives insturments	$ -	$ (46)
Valuation adjustment	-	46
	$ -	$ -

Amounts recognized' in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	Years ended December 31,	
Items	2023	2022
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	$ 47,600	($ 74,660)
Financial assets held for trading		
Derivative instruments	$ -	($ 30)

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

Items	December 31, 2023	December 31, 2022
Non-current items:		
Equity instruments		
Emerging stocks	$ 69,911	$ 69,911
Unlisted stocks	259,144	259,144
Valuation adjustment	(180,968)	(136,790)
Total	$ 148,087	$ 192,265

A. The Company has elected to classify equity instruments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $148,087 and $192,265 as at December 31, 2023 and 2022, respectively.

B. Amounts recognized' in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

Items	Years ended December 31, 2023	Years ended December 31, 2022
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	($ 44,177)	($ 5,680)
Dividend income recognised in profit or loss held at the end of the current period	$ 15,223	$ 1,095

(4) Financial assets at amortized cost

Items	December 31, 2023	December 31, 2022
Non-current items:		
Time deposits	$ 2,939	$ 2,939

A. Amounts recognized' in profit or loss in relation to financial assets at amortized cost are listed below:

Items	Years ended December 31, 2023	Years ended December 31, 2022
Interest income	$ 23	$ 20

B. As at December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Company was $2,939.

C. Information relating to credit risk of financial assets at amortized cost is provided in Note 12(2). The counterparties of the Company's investments in certificates of deposit are financial institutions with high credit quality, so the Company expects that the probability of counterparty default is remote.

D. Details of the Company's non-current financial assets at amortized cost pledged to others as collateral are provided in Note 8.

(5) Notes and accounts receivable

	December 31, 2023	December 31, 2022
Notes receivable	$ 641	$ 92
Accounts receivable - general customers	263,465	304,342
Accounts receivable due from related parties	81,307	61,290
	345,413	365,724
Less: Allowance for uncollectible accounts	(75)	(1,825)
	$ 345,338	$ 363,899

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	December 31, 2023		December 31, 2022	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 309,812	$ 641	$ 322,415	$ 92
Up to 30 days	9,965	-	37,138	-
31 to 90 days	24,578	-	2,535	-
91 to 180 days	150	-	3,544	-
Over 180 days	267	-	-	-
	$ 344,772	$ 641	$ 365,632	$ 92

The above ageing analysis was based on past due date.

B. As of December 31, 2023 and 2022, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2022, the balance of receivables from contracts with customers amounted to $480,892.

C. As at December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable was $641 and $92; $344,697 and $363,807, respectively.

D. Information relating to credit risk of notes receivable and accounts receivable is provided in Note 12(2).

(6) Inventories

	December 31, 2023	December 31, 2022
Finished goods	$ 193,104	$ 221,154
Work in progress	6,885	3,842
Raw materials	15,139	29,051
	215,128	254,047
Allowance for inventory valuation losses	(14,957)	(17,285)
Total	$ 200,171	$ 236,762

The cost of inventories recognized' as expense for the period:

	Years ended December 31,	
Items	2023	2022
Cost of goods sold	$ 1,085,160	$ 1,244,869
Gain on reversal of in market value	(2,328)	(1,697)
Loss on scrapping inventory	1,638	17,924
Lease cost	2,123	1,758
	$ 1,086,593	$ 1,262,854

For the year ended December 31, 2022, the Company reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because of active inventory closeout.

(7) Investments accounted for using equity method

	December 31, 2023	December 31, 2022
Subsidiary		
FIOPTEC Inc. (Cayman Island)	$ 408,461	$ 493,845
Associate		
BKS TEC Corp.	6,644	14,673
Total	$ 415,105	$ 508,518

A. Subsidiary

(a) For information on the Company's subsidiaries, please refer to Note 4(3) of the Company's 2023 consolidated financial statements.

(b) The Board of Director of FIOPTEC Inc. approved the capital reduction and returned $86,526 in 2022. The returned proceeds were actually remitted back in 2023.

B. Individually immaterial associate

On December 31, 2023 and 2022, the Company held 11.07% and 11.76%equity interests in BKS TEC Corp. and held 1 seat in the Board of Directors, respectively, and thus the Company was considered to have significant influence over BKS TEC Corp.

C. Based on the Company's assessment, an impairment loss of $3,790 was recognized' due to the recoverable amount of BKS TEC Corp. is less than its carrying amount.

(8) Property, plant and equipment

	2023						
	Buildings and structures	Machinery and equipment	Research and development equipment	Transportation equipment	Office equipment	Unfinished construction and equipment under acceptance	Total
Cost							
Opening net book amount as at January 1	$ 387,888	$ 189,445	$ 77,185	$ 590	$ 2,640	$ -	$ 657,748
Additions for the year	7,979	1,579	30,493	-	-	13,385	53,436
Disposals for the year	(24,286)	(2,001)	(5,846)	(590)	(744)	-	(33,467)
Reclassifications in the year	-	9,188	(8,691)	-	-	-	497
At December 31	$ 371,581	$ 198,211	$ 93,141	$ -	$ 1,896	$ 13,385	$ 678,214
Accumulated depreciation and impairment							
At January 1	$ 178,630	$ 110,575	$ 41,555	$ 409	$ 1,513	$ -	$ 332,682
Depreciation expense for the year	15,968	29,070	17,456	101	380	-	62,975
Disposals for the year	(20,245)	(1,950)	(5,846)	(510)	(569)	-	(29,120)
Reclassifications in the year	-	9,549	(9,549)	-	-	-	-
Closing net book amount as at December 31	174,353	147,244	43,616	-	1,324	-	366,537
Net amount	$ 197,228	$ 50,967	$ 49,525	$ -	$ 572	$ 13,385	$ 311,677

	2022						
	Buildings and structures	Machinery and equipment	Research and development equipment	Transportation equipment	Office equipment	Unfinished construction and equipment under acceptance	Total
Cost							
Opening net book amount as at January 1	$ 370,421	$ 223,256	$ 33,991	$ 590	$ 2,761	$ -	$ 631,019
Additions for the year	961	2,390	10,726	-	179	-	14,256
Disposals for the year	(1,047)	(5,092)	(27,284)	-	(300)	-	(33,723)
Reclassifications for the year	17,553	(31,109)	59,752	-	-	-	46,196
At December 31	$ 387,888	$ 189,445	$ 77,185	$ 590	$ 2,640	$ -	$ 657,748
Accumulated depreciation and impairment							
At January 1	$ 155,719	$ 101,890	$ 25,965	$ 291	$ 1,408	$ -	$ 285,273
Depreciation expense for the year	16,554	30,466	13,077	118	405	-	60,620
Disposals for the year	(1,048)	(4,898)	(27,284)	-	(300)	-	(33,530)
Reclassifications for the year	7,405	(16,883)	29,797	-	-	-	20,319
Closing net book amount as at December 31	178,630	110,575	41,555	409	1,513	-	332,682
Net amount	$ 209,258	$ 78,870	$ 35,630	$ 181	$ 1,127	$ -	$ 325,066

A. The significant components of buildings include main plants and electromechanical power equipment and constructions and clean room, which are depreciated over 55 years, 10 years and 10 years, respectively

B. The equipment was for the Company’s own use and not for lease.

(9) Leasing arrangements－lessee

A. The Company leases various assets including land, buildings, business vehicles. Rental contracts are typically made for periods of 1 to 20 years.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2023	December 31, 2022
	Carrying amount	Carrying amount
Land	$ 72,650	$ 75,019
Transportation equipment (Business vehicles)	2,078	3,179
Buildings	-	907
Research and development equipment	-	829
	$ 74,728	$ 79,934

	Years ended December 31,	
	2023	2022
	Depreciation charge	Depreciation charge
Land	$ 2,369	$ 2,369
Transportation equipment (Business vehicles)	1,426	1,448
Buildings	907	990
Research and development equipment	332	498
	$ 5,034	$ 5,305

C. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were $325 and $3,613, respectively.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	Years ended December 31,	
	2023	2022
Items affecting profit or loss		
Interest expense on lease liabilities	$ 977	$ 1,036
Expense on short-term lease contracts	110	162
Expense on leases of low-value assets	327	339
Total	$ 1,414	$ 1,537

For the years ended December 31, 2023 and 2022, the Company’s total cash outflow for leases were $6,468 and $6,915, respectively.

(10) Leasing arrangements – lessor

A. The Company leases various assets including buildings. Rental contracts are typically made for periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor’s ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes, or a certain amount of guarantee deposits is required.

B. For the years ended December 31, 2023 and 2022, the Company recognized' rent income in the amounts of $10,528 and $10,514, respectively, based on the operating lease agreement, which does not include variable lease payments.

C. The maturity analysis of the lease payments under the operating leases is as follows:

	December 31, 2023	December 31, 2022
Not later than one year	$ 10,169	$ 10,182
Later than one year but not later than five years	4,035	13,988
Total	$ 14,204	$ 24,170

(11) Investment property

	December 31, 2023	December 31, 2022
Buildings and structures		
Cost		
Equity at beginning of year	$ 94,436	$ 111,989
Reclassifications for the year	-	(17,553)
Equity at end of year	94,436	94,436
Accumulated depreciation		
Equity at beginning of year	40,908	46,555
Additions for the year	2,123	1,758
Reclassifications for the year	-	(7,405)
Equity at end of year	43,031	40,908
Closing net book amount as at December 31	$ 51,405	$ 53,528

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	Years ended December 31,	
	2023	2022
Rental income from investment property	$ 10,528	$ 10,514
Direct operating expenses arising from the investment property that generated rental income during the period	$ 2,123	$ 1,758

B. The fair value of the investment property held by the Company as at December 31, 2023 and 2022 was $92,672 and $92,956, respectively, which was valued by the Company using the income approach which is categorized within Level 3 in the fair value hierarchy. Key assumptions are as follows:

	December 31, 2023	December 31, 2022
Discount rate	2.345%	2.22%

(12) Other non-current assets

	December 31, 2023	December 31, 2022
Prepayments for business facilities	$ 52,485	$ 3,420
Guarantee deposits paid	235	2,703
Other assets	1,731	-
Total	$ 54,451	$ 6,123

(13) Short-term borrowings

December 31, 2023: None.

Type of borrowings	December 31, 2022	Interest rate range	Collateral
Bank secured borrowings	$ 180,000	1.58%～1.70%	None

(14) Bonds payable

	December 31, 2023	December 31, 2022
Bonds payable	$ -	$ 6,900
Less: Discount on bonds payable	-	(71)
	-	6,829
Less: Current portion	-	(6,829)
	$ -	$ -

A. The terms of the second domestic unsecured convertible bonds issued by the Company are as follows:

(a) The Company issued $400,000, 0% second domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 5 years from the issue date (September 6, 2018 ~ September 6, 2023) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on September 6, 2018.

(b) The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

(c) The conversion price of convertible bonds was set at NT$26.8 (in dollars) per share. However, the conversion price is adjusted according to the formula set out in the indenture if any of the following events occurs after the issuance of the Company's convertible bonds:

i Increase in outstanding (or private placement) common shares.

ii The ratio of cash dividends paid for common shares to the market price per share exceeds 1.5%.

iii Reissuance (or private placement) of various securities with conversion options or stock options to common shares at a conversion or an exercise price lower than the market price per share.

iv Reduction in ordinary share capital that is not caused by the retirement of treasury shares.

On July 2, 2022 and July 3, 2021, because the ratio of cash dividends paid for common shares to the market price per share exceeded 1.5%, the Company adjusted conversion prices to NT$22.7 (in dollars) and NT$24.1 (in dollars) per share, respectively.

(d) The Company may repurchase all the bonds outstanding in cash at the bonds' face value within 5 trading days after the put effective date of bonds from the date three months after the bonds issue to 40 days before the maturity date if the following events occur: (i) the closing price of the Company's common shares is above the then conversion price by 30% (including 30%) for 30 consecutive trading days, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount.

(e) The Company set the date when the bonds have been issued for 2 years, 3 years and 4 years as the put effective date for the bondholders to early put the bonds back to the Company. The Company should notice the bondholders at 40 days before the put effective date and should redeem the convertible bonds in cash within 5 trading days after the put effective date when accepting the bondholders' requests.

(f) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be sold or re-issued; the conversion options attached to the bonds are also extinguished.

(g) As of December 31, 2023, the bonds totaling $400,000 (face value) had been converted into 15,192,422 shares of common stock.

B. Regarding the issuance of convertible bonds, the equity conversion options amounting to $27,490 were separated from the liability component and were recognized' in 'capital surplus—share options' in accordance with IAS 32. The call options and put options embedded in bonds payable were recognized' in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were closely related to those of the host contracts. The effective interest rates of the bonds payable after such separation was 1.84%.

(15) Other payables

	December 31, 2023	December 31, 2022
Salaries and bonuses payable	$ 17,943	$ 20,924
Employees' compensation and directors' remuneration payable	-	7,000
Payable on equipment	5,257	5,096
Others	20,265	16,077
	$ 43,465	$ 49,097

(16) Pensions

A. The Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

B. The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2023 and 2022 were $6,957 and $7,708 respectively.

(17) Share-based payment

A. For the years ended December 31, 2023 and 2022, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (share in thousands)	Contract period	Vesting conditions
Cash capital increase reserved for employee preemption	2023.10.25	1,403	NA	Vested immediately

The Board of Directors of the Company during their meeting on August 3, 2023 adopted a resolution to increase the Company's capital by issuing 10,000 thousand ordinary shares. The Company reserved no more than 15% of the shares for subscription by employees of the Company and its subsidiaries in accordance with Article 267 of the Company Act. The chairman was authorized to contact a specific person to fully subscribe those shares which were gave up subscribing by the employees or undersubscribed at the issuing price.

B. The Company's fair value information of share-based payment transactions is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Fair value per unit
Cash capital increase reserved for employee preemption	2023.10.25	$ 74	$ 52.80	$ 21.20

C. Expenses incurred on share-based payment transactions are shown below:

	Year ended December 31, 2023
Equity-settled	$ 29,744

December 31, 2022: None.

(18) Share capital

A. As of December 31, 2023, the Company's authorized capital was $1,100,000, consisting of 110,000 thousand shares of ordinary stock (including 6,000 thousand shares reserved for employee stock options), and the paid-in capital was $986,406 with a par value of NT$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	2023 (in thousands)	2022 (in thousands)
At January 1	88,337	88,273
Convertible bonds converted to ordinary shares	304	64
Cash capital increase	10,000	-
At December 31	98,641	88,337

B. The Board of Directors of the Company during their meeting on August 3, 2023 adopted a resolution to increase the Company's capital by issuing 10,000 thousand ordinary shares with a par value of NT$10 (in dollars) per share, the issuing price was NT$52.8 (in dollars) per share. The capital increase was approved by the competent authority on September 26, 2023 and the effective date of the capital increase was set on November 3, 2023. Proceeds had been fully collected and the registration for the change had been completed.

(19) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus 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 Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2023				
	Share premium	Stock options	Changes in ownership interests in subsidiaries	Gains on disposals of fixed assets and others	Total
At January 1	$ 553,074	$ 474	$ 1,775	$ 258	$ 555,581
Bonds converted by the issuing company	4,326	(474)	-	-	3,852
Cash capital increase	457,744	(29,744)	-	-	428,000
Share-based payments	-	29,744	-	-	29,744
At December 31	$1,015,144	$ -	$ 1,775	$ 258	$ 1,017,177

	2022				
	Share premium	Stock options	Changes in ownership interests in subsidiaries	Gains on disposals of fixed assets and others	Total
At January 1	$ 552,146	$ 577	$ 1,775	$ 258	$ 554,756
Bonds converted by the issuing company	928	(103)	-	-	825
At December 31	$ 553,074	$ 474	$ 1,775	$ 258	$ 555,581

(20) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall be appropriated in the following orders:

(a) Pay all taxes;

(b) Cover prior years' losses;

(c) Set aside 10% as legal reserve (unless the legal reserve has reached the total capital);

(d) Set aside or reverse special reserve as required by regulations;

(e) The remainder, if any, along with the accumulated unappropriated earnings, shall be proposed by the Board of Directors and be resolved by the shareholders.

B. The Board of Directors of the Company may, upon resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, distribute dividends, bonus, legal reserve or capital surplus, in whole or in part, in the form of cash, which shall also be reported at the shareholders' meeting.

C. The Company's dividend policy is set up in accordance with the Company Act and the Company's Articles of Incorporation, and in consideration of factors including the Company's capital and financial structure, operational condition, earnings, and the industry's nature and cycle, etc. Suppose the Company has a surplus in its final annual accounts, and the distributable surplus reaches 2% of the paid-in capital. In that case, the dividend distribution shall not be less than 10% of the distributable surplus. Cash dividends are preferred in the distribution of earnings, but stock dividends can also be distributed on the basis that the distribution ratio of stock dividends is no higher than 50% of total dividends of the year.

D. 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.

E. Legal reserve shall be set aside until its balance reaches the Company's total paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of its paid-in capital, the excess may be transferred to capital or distributed in cash.

F. The Board of Directors on February 24, 2022 and the shareholder's meeting on May 27, 2022 adopted a resolution on the distribution of 2021 earnings, appropriating $15,326 as legal reserve and $38,309 as special reserve, and distributing $141,303 as cash dividends at NT$1.6 (in dollars) per share.

G. The Board of Directors on February 23, 2023 and the shareholders' meeting on May 30, 2023 adopted a resolution on the distribution of 2022 earnings, appropriating $4,702 as legal reserve and $2,359 as special reserve, and distributing $44,313 as cash dividends at NT$0.5 (in dollars) per share.

(21) Other equity items

	2023		
	Currency translation	Unrealised gains (losses) on valuation	Total
At January 1	($ 31,436)	($ 136,791)	($ 168,227)
Revaluation – gross	-	(44,177)	(44,177)
Currency translation differences:			
–Group	(13,072)	-	(13,072)
–Tax on Group	2,614	-	2,614
At December 31	($ 41,894)	($ 180,968)	($ 222,862)

	2022		
	Currency translation	Unrealised gains (losses) on valuation	Total
At January 1	($ 39,475)	($ 131,111)	($ 170,586)
Revaluation – gross	-	(5,680)	(5,680)
Currency translation differences:			
–Group	10,049	-	10,049
–Tax on Group	(2,010)	-	(2,010)
At December 31	($ 31,436)	($ 136,791)	($ 168,227)

(22) Operating revenue

	Years ended December 31,	
	2023	2022
Revenue from contracts with customers	$ 1,208,130	$ 1,472,401
Others－lease revenue	10,528	10,514
	$ 1,218,658	$ 1,482,915

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

Year ended December 31, 2023	Taiwan	China	America	Asia	Other regions	Total
Revenue from external customer contracts	$167,282	$ 34,688	$ 852,685	$122,157	$ 31,318	$ 1,208,130

Year ended December 31, 2022	Taiwan	China	America	Asia	Other regions	Total
Revenue from external customer contracts	$227,314	$132,302	$ 914,630	$122,944	$ 75,211	$ 1,472,401

B. Contract assets and liabilities

The Company has recognized' the following revenue-related contract assets and liabilities:

	December 31, 2023	December 31, 2022	January 1, 2022
Product sales contracts	$ 2,256	$ 6,089	$ 2,976

C. Revenue recognized' that was included in the contract liability balance at the beginning of the period

	Years ended December 31, 2023	2022
Product sales contracts	$ 5,727	$ 2,793

(23) Interest income

	Years ended December 31, 2023	2022
Interest income from bank deposits	$ 5,686	$ 1,281
Interest income from financial assets measured at amortised cost	23	20
	$ 5,709	$ 1,301

(24) Other income

	Years ended December 31, 2023	2022
Dividend income	$ 15,223	$ 1,095
Other income, others	1,598	1,134
	$ 16,821	$ 2,229

(25) Other gains and losses

	Years ended December 31,	
	2023	2022
Losses on disposals of property, plant and equipment	($ 3,189)	$ -
Foreign exchange gains	1,791	27,869
Gains (losses) on financial assets and liabilities at fair value through profit or loss	47,600	(74,690)
Impairment loss of investments accounted for using equity method	(3,790)	-
Other gains and losses	(128)	(276)
	$ 42,284	($ 47,097)

(26) Finance costs

	Years ended December 31,	
	2023	2022
Interest expense	$ 4,219	$ 2,471

(27) Expenses by nature

	Years ended December 31,	
	2023	2022
Employee benefit expense	$ 198,082	$ 190,500
Depreciation charges	70,132	67,683
Amortisation charges	1,655	570
	$ 269,869	$ 258,753

(28) Employee benefit expense

	Years ended December 31,	
	2023	2022
Wages and salaries	$ 135,358	$ 152,423
Share-based payments	29,744	-
Labour and health insurance fees	14,358	16,261
Director's remuneration	3,790	4,419
Pension costs	6,957	7,708
Other personnel expenses	7,875	9,689
	$ 198,082	$ 190,500

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year shall be distributed as employees' compensation and directors' remuneration. The ratio shall be 5% ~ 15% for employees' compensation and shall not be higher than 5% for directors' remuneration. If the Company has accumulated deficit, earnings should be reserved to cover losses.

B. For the years ended December 31, 2023 and 2022, employees' compensation was accrued at $0 and $5,600, respectively; directors' remuneration was accrued at $0 and $1,400, respectively. The aforementioned amounts were recognized' in salary expenses.

Employees' compensation of $5,600 and directors' remuneration of $1,400 of 2022 as resolved by the Board of Directors were in agreement with those amounts recognized' in the 2022 financial statements.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(29) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31, 2023	Years ended December 31, 2022
Current tax:		
Current tax on profits for the year	$ -	$ 36,985
Prior year income tax underestimation (over)	1,532	(7,461)
Total current tax	1,532	29,524
Deferred tax:		
Origination and reversal of temporary differences	(15,758)	(13,188)
Total deferred tax	(15,758)	(13,188)
Tax expense (benefit) income	($ 14,226)	$ 16,336

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31, 2023	Years ended December 31, 2022
Currency translation differences	($ 2,614)	$ 2,010

(c) The income tax charged/(credited) to equity during the period is as follows: None.

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31, 2023	Years ended December 31, 2022
Tax calculated based on (loss) profit before tax and statutory tax rate	($ 434)	$ 12,671
Expenses disallowed by tax regulation	(11,558)	15,756
Effect from investment tax credits	(4,963)	(4,630)
Change in assessment of realisation of deferred tax assets	1,197	-
Prior year income tax (over) underestimation	1,532	(7,461)
	($ 14,226)	$ 16,336

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows:

	2023 January 1	Recognised in profit or loss	Translation differences	December 31
－Deferred tax assets:				
Temporary differences:				
Allowance for inventories impairment losses	$ 3,457	($ 466)	$ -	$ 2,991
Convertible corporate bonds	1,198	(1,198)	-	-
Unrealized impairment loss	121	758	-	879
Other	4,435	(1,944)	-	2,491
Investment tax credits	-	4,963	-	4,963
Loss carryforward	-	13,888	-	13,888
Subtotal	9,211	16,001	-	25,212
－Deferred tax liabilities:				
Temporary differences:				
Other	(3,683)	(2,857)	2,614	(3,926)
Subtotal	($ 3,683)	($ 2,857)	$ 2,614	($ 3,926)
Total	$ 5,528	$ 13,144	$ 2,614	$ 21,286

	2022			
	January 1	Recognised in profit or loss	Translation differences	December 31
—Deferred 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	6,478	2,733	-	9,211
—Deferred 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

D. Details of the amount the Company is entitled as investment tax credit and unrecognized' deferred tax assets are as follows:

	December 31, 2023		
Qualifying items	Unused tax credits	Unrecognised deferred tax assets	Expiry year
Research and development	$ 3,136	$ -	2025
Machinery and equipment	1,827	-	2025
Total	$ 4,963	$ -	

December 31, 2022 : None.

E. Expiration dates of unused tax losses and amounts of unrecognized' deferred tax assets are as follows:

December 31, 2023				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2023	$ 69,440	$ 69,440	$ -	2033

December 31, 2022: None.

F. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(30) Earnings per share

	Year ended December 31, 2023		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders	$ 12,058	90,103	$ 0.13
Diluted earnings per share			
Profit attributable to ordinary shareholders	12,058	90,103	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	34	
Convertible bonds	34	304	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 12,092	90,441	$ 0.13

	Year ended December 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders	$ 47,021	88,319	$ 0.53
Diluted earnings per share			
Profit attributable to ordinary shareholders	47,021	88,319	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	323	
Convertible bonds	62	350	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 47,083	88,992	$ 0.53

(31) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31, 2023	Years ended December 31, 2022
Purchase of property, plant and equipment	$ 53,436	$ 14,256
Add: Opening balance of payable on equipment	5,096	1,539
Less: Ending balance of payable on equipment	(5,254)	(5,096)
Cash paid during the year	$ 53,278	$ 10,699

(32) Changes in liabilities from financing activities

2023	Short-term borrowings	Bonds payable	Lease liabilities	Liabilities from financing activities-gross
At January 1	$ 180,000	$ 6,829	$ 81,533	$ 268,362
Changes in cash flow from financing activities	(180,000)	-	(5,054)	(185,054)
Interest payments	-	-	(977)	(977)
Amortisation charges on interest expenses	-	62	977	1,039
Changes in other non-cash items	-	(6,891)	325	(6,566)
At December 31	$ -	$ -	$ 76,804	$ 76,804

2022	Short-term borrowings	Bonds payable	Lease liabilities	Liabilities from financing activities-gross
At January 1	$ 20,000	$ 8,144	$ 83,297	$ 111,441
Changes in cash flow from financing activities	160,000	-	(5,378)	154,622
Interest payments	-	-	(1,036)	(1,036)
Amortisation charges on interest expenses	-	148	1,036	1,184
Changes in other non-cash items	-	(1,463)	3,614	2,151
At December 31	$ 180,000	$ 6,829	$ 81,533	$ 268,362

7. Related Party Transactions

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
FIOPTEC Inc.	Associate
Shanghai FOCI Fiber Optic Communications, Inc.	Subsidiaries directly held by the Company
Jiangxi FOCI Fiber Optic Communications, 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 party transactions

A. Operating revenue:

	Years ended December 31, 2023	Years ended December 31, 2022
Sales of goods:		
Zhongshan FOCI Fiber Optic Communications, Inc.	$ 183,801	$ 203,967
Shanghai FOCI Fiber Optic Communications, Inc.	84,894	103,795
BKS TEC Corp.	3,858	3,983
Total	$ 272,553	$ 311,745

B. Purchases:

	Years ended December 31, 2023	Years ended December 31, 2022
Purchases of goods:		
Zhongshan FOCI Fiber Optic Communications, Inc.	$ 408,904	$ 421,587
Shanghai FOCI Fiber Optic Communications, Inc.	356,617	478,452
BKS TEC Corp.	1,656	-
Total	$ 767,177	$ 900,039

The Company purchased inventories from subsidiaries and not from other suppliers. Since there was no market price to be compared with, the settlement prices were determined by reference to market prices and based on mutual agreement.

The Company commissioned its related parties to outsource the raw material processing and agreed to pay based on their actual processing costs, which was shown as operating costs.

The above purchases did not deduct sales revenue of $268,695 and $307,762 recognized' by the Company due to the raw material processing of subsidiaries for the years ended December 31, 2023 and 2022, respectively. The Company's accounts had deducted related revenue and purchasing costs in accordance with the regulations.

C. Receivables from related parties:

	December 31, 2023	December 31, 2022
Accounts receivable:		
Zhongshan FOCI Fiber Optic Communications, Inc.	$ 53,845	$ 30,426
Shanghai FOCI Fiber Optic Communications, Inc.	26,071	30,075
BKS TEC Corp.	1,391	789
	81,307	61,290
Other receivable-current:		
Zhongshan FOCI Fiber Optic Communications, Inc.	-	347
BKS TEC Corp.	1,856	-
	1,856	347
Other receivable-Non-current:		
BKS TEC Corp.	1,731	-
	$ 84,894	$ 61,637

The receivables from related parties arise from sale transactions. The receivables are due two months after the date of sales. The receivables are unsecured in nature and bear no interest. There are no allowances for uncollectible accounts held against receivables from related parties.

The Company leased assets to BKS TEC Corp. under finance lease, and on December 31, 2023, the Company accounted its lease payments receivable as other receivables and other non-current assets in the amounts of $1,380 and $1,731, respectively.

D. Payables to related parties:

	December 31, 2023	December 31, 2022
Accounts receivable:		
Shanghai FOCI Fiber Optic Communications, Inc.	$ 108,138	$ 141,443
Zhongshan FOCI Fiber Optic Communications, Inc.	164,614	84,976
	272,752	226,419
Other receivables:		
Shanghai FOCI Fiber Optic Communications, Inc.	55	-
Zhongshan FOCI Fiber Optic Communications, Inc.	65	-
BKS TEC Corp.	-	14
	120	14
	$ 272,872	$ 226,433

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

E. Property transactions:

(a) Acquisition of property, plant and equipment:

	Years ended December 31,	
	2023	2022
Zhongshan FOCI Fiber Optic Communications, Inc.	$ -	$ 1,006

(3) Key management compensation

	Years ended December 31,	
	2023	2022
Short-term employee benefits	$ 16,565	$ 21,859
Post-employment benefits	544	539
Share-based payments	8,670	-
	$ 25,779	$ 22,398

8. Pledged Assets

The Company’s assets pledged as collateral are as follows:

	Book value		
Pledged asset	December 31, 2023	December 31, 2022	Purpose
Time deposits (Note)	$ 2,939	$ 2,939	Land lease deposits

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

9. Significant Contingent Liabilities and Unrecognized’ Contract Commitments

None.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

The Board of Directors of the Company during their meeting on February 22, 2024 resolved to distribute cash dividends from capital surplus amounting to $49,320 at NT$0.5 (in dollars) per share. The expected date of distribution is March 29, 2024.

12. Others

(1) Capital management

The Company manages its capital to ensure that the Company will be able to stay in operation while maximizing the return to stakeholders. The Company’s overall strategy remains unchanged.

The capital structure of the Company consists of the Company’s net debt (being borrowings offset by cash) and equity (comprising share capital, capital surplus, retained earnings and other equity).

(2) Financial instruments

A. Financial instruments by category

	December 31, 2023	December 31, 2022
Financial assets		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 210,400	$ 162,800
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	148,087	192,265
Financial assets at amortised cost /Loans and receivables		
Cash and cash equivalents	729,191	314,320
Notes receivable	641	92
Accounts receivable (including related parties)	344,697	363,807
Other receivables (including related parties)	3,360	726
Financial assets at amortised cost	2,939	2,939
Guarantee deposits paid	235	2,703
	$ 1,439,550	$ 1,039,652

	December 31, 2023	December 31, 2022
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Short-term borrowings	$ -	$ 180,000
Notes payable	1,873	1,546
Accounts payable (including related parties)	316,533	262,160
Other payables	43,465	49,097
Bonds payable	-	6,829
Guarantee deposits received	1,714	1,714
	$ 363,585	$ 501,346
Lease liability (including current portion)	$ 76,804	$ 81,533

B. Financial risk management policies

The Company's major financial instruments include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, net notes and accounts receivable, notes and accounts payable, etc. The Company's objectives when managing financial risks are to manage foreign exchange risk, price risk, interest rate risk, credit risk and liquidity risk related to its operating activities. In order to decrease the relevant financial risk, the Company focuses on identifying, evaluating and hedging market uncertainties to minimize potential adverse effects from markets on the Company's financial performance.

The Company's major financial activities are reviewed by the Board of Directors in accordance with relevant regulations and internal controls. During the implementation of financial plans, the Company must comply with the financial procedures relating to overall financial risk management and segregation of duties.

C. Significant financial risks and degrees of financial risks

(a) Market risk

The Company's operating activities exposed it primarily to financial risks, which are foreign exchange risk, interest rate risk and price risk. There have been no changes to the Company's exposure to market risks or the manner in which these risks are managed and measured.

Exchange rate risk

i. The Company's cash inflows and outflows are partially denominated in foreign currencies and therefore have a natural hedging effect. The Company manages exchange rate risk for hedging purposes, not for profit-making.

ii. The Company's strategy to manage exchange rate risk is to regularly review the net position of assets and liabilities in each currency and manage the risk accordingly. Currently, trading foreign currency deposits is the main tool to hedge exchange rate risk.

iii. As the net investments in foreign operations are considered to be strategic investments, the Company does not hedge the investments.

iv. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD; other certain subsidiaries' functional currency: RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2023		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 11,446	30.69	$ 351,278
Non-monetary items			
USD:NTD	$ 13,309	30.69	$ 408,461
Financial liabilities			
Monetary items			
USD:NTD	$ 9,602	30.69	$ 294,685
Non-monetary items: None.			

	December 31, 2022		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 11,257	30.71	$ 345,702
Non-monetary items			
USD:NTD	$ 16,084	30.71	$ 493,940
Financial liabilities			
Monetary items			
USD:NTD	$ 8,192	30.71	$ 251,576
Non-monetary items: None.			

v. The total exchange gain, including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2023 and 2022 amounted to $1,791 and $27,869, respectively.

vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Year ended December 31, 2023		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	1%	$ 3,513	$ -
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 2,947)	$ -

	Year ended December 31, 2022		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	1%	$ 3,457	$ -
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 2,516)	$ -

Price risk

i. The Company is exposed to equity securities price risk because of investments held by the Company and classified on the consolidated balance sheet as financial asset measured at fair value through profit or loss and measured at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

ii. The Company's investments in equity securities comprise shares issued by the domestic and foreign companies. The prices of financial instruments would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased by $1,900 and $1,900, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by $3,291 and $3,291, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost.

ii. The Company manages their credit risk taking into consideration the Company's concern. For banks and financial institutions, only independently rated parties with good credit rating are accepted. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Company adopts the assumptions under IFRS 9 that if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iv. The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.

v. The Company classifies customers' accounts receivable in accordance with credit rating of customer. The Company applies the modified approach using a provision matrix to estimate the expected credit loss.

vi. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.

vii. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties；

(ii) The disappearance of an active market for that financial asset because of financial difficulties；

(iii) Default or delinquency in interest or principal repayments；

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

viii. The Company used the forecastability to adjust historical and timely information to assess the default possibility of notes receivable and accounts receivable. On December 31, 2023 and 2022, the provision matrix is as follows:

	Not past due	Up to 30 days	31~90 days	91~180 days	Over 180 days	Total
At December 31, 2023						
Expected loss rate	0%-0.03%	0.03%	0.03%	0.03%	0.03%-100%	
Total book value	$ 310,453	$ 9,965	$ 24,578	$ 150	$ 267	$ 345,413
Loss allowance	($ 70)	($ 3)	($ 2)	$ -	$ -	($ 75)
At December 31, 2022	0%	5%	5%	20%	50%-100%	
Total book value	$ 322,507	$ 37,138	$ 2,535	$ 3,544	$ -	$ 365,724
Loss allowance	$ -	($ 996)	($ 120)	($ 709)	$ -	($ 1,825)

ix. Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable and other receivables are as follows:

	2023	
	Accounts receivable	Other receivable
At January 1	$ 1,825	$ -
Provision for impairment	-	-
Reversal of impairment loss	(1,750)	-
At December 31	$ 75	$ -

	2022	
	Accounts receivable	Other receivable
At January 1	$ 2,198	$ 12,915
Provision for impairment	-	-
Reclassifications	-	(12,915)
Reversal of impairment loss	(336)	-
Write-offs during the period	(37)	-
At December 31	$ 1,825	$ -

x. Financial assets at amortized cost held by the Company are the restricted bank deposits. The credit ratings of the counterparty banks are all with high credit quality, so it expects that the risk of incurring credit losses is remote.

(c) Liquidity risk

i. The Company manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

ii. The Company has the following undrawn borrowing facilities:

	December 31, 2023	December 31, 2022
Floating rate:		
Expiring within one year	$ 508,183	$ 340,710

iii. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

At December 31, 2023	Immediate payment or less than 1 month	Between 1 and 3 month(s)	Between 3 months and 1 year	Between 1 and 5 year(s)	Over 5 years	Total
Non-derivative financial liabilities						
Notes payable	$ 28	$ -	$ 1,845	$ -	$ -	$ 1,873
Accounts payable	149,645	126,750	40,139	-	-	316,534
Other payables	24,432	11,900	7,133	-	-	43,465
Lease liability	365	731	3,274	12,396	75,103	91,869
Derivative financial liabilities:	None.					

At December 31, 2022	Immediate payment or less than 1 month	Between 1 and 3 month(s)	Between 3 months and 1 year	Between 1 and 5 year(s)	Over 5 years	Total
Non-derivative financial liabilities						
Short-term borrowings	$ 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
Bonds payable	-	-	6,900	-	-	6,900
Derivative financial liabilities:	None.					

(3) Fair value information

A. 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 active markets 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 transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company’s investment in listed stocks, beneficiary certificates, on-the-run Taiwan central government bonds, corporate bonds and derivative instruments with quoted market prices is included in Level 1.

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 the Company’s investment in off-the-run government bonds, corporate bonds, bank debentures, convertible bonds and most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company’s investment in certain derivative instruments, equity investment without active market and investment property is included in Level 3.

B. Fair value information of the Company’s investment property at cost is provided in Note 6(11).

C. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, financial assets at amortized cost, notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, notes payable, accounts payable, other payables, lease liabilities (current and non-current), bonds payable and guarantee deposits received are approximate to their fair values.

D. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2023 and 2022 are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

December 31, 2023	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Listed stocks	$ 210,400	$ -	$ -	$ 210,400
Financial assets at fair value through other comprehensive income				
Emerging stocks	30,658	-	-	30,658
Unlisted stocks	-	-	117,429	117,429
	$ 241,058	$ -	$ 117,429	$ 358,487

Liabilities

Recurring fair value measurements:None.

December 31, 2022	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Listed stocks	$ 162,800	$ -	$ -	$ 162,800
Financial assets at fair value through other comprehensive income				
Emerging stocks	36,270	-	-	36,270
Unlisted stocks	-	-	155,995	155,995
	$ 199,070	$ -	$ 155,995	$ 355,065

Liabilities

Recurring fair value measurements:None.

(b) The methods and assumptions the Company used to measure fair value are as follows:

i. The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed stocks and Emerging stocks
Market quoted price	Closing price

ii. When assessing non-standard and low-complexity financial instruments, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

E. For the years ended December 31, 2023 and 2022, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2023 and 2022:

	2023		2022	
	Financial instruments	Derivative instruments	Financial instruments	Derivative instruments
At January 1	$ 155,995	$ -	$ 69,945	$ 32
Gains and losses recognised in profit or loss				
Recorded as non-operating income and expenses	-	-	-	(30)
Gain or loss recognized in other comprehensive income	(38,566)	-	16,048	-
Current Purchase	-	-	70,002	-
Others	-	-	-	(2)
At December 31	$ 117,429	$ -	$ 155,995	$ -
Movement of unrealised gain or loss in profit or loss of assets and liabilities held as at December 31, 2023 (Note)	$ -	$ -	$ -	($ 30)

Note: Recorded as non-operating income and expense.

G. For the years ended December 31, 2023 and 2022, there was no transfer into or out from Level 3.

H. Treasury segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value. Investment property is valuated regularly by the Company based on the valuation methods and assumptions announced by the Financial Supervisory Commission, Securities and Futures Bureau.

I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 29,616	Net asset value	Not applicable	Not applicable	Not applicable
Unlisted shares	124	Market comparable companies	Discount for lack of marketability	20.50%	The higher the discount for lack of marketability, the lower the fair value
Unlisted shares	39,988	Income approach	Discount for lack of marketability and discount for lack of control	15.70%	The higher the discount for lack of marketability, the lower the fair value; the higher the discount for lack of control, the lower the fair value
Unlisted shares	47,701	Income approach	Discount for lack of marketability and discount for lack of control	32.28%	The higher the discount for lack of marketability, the lower the fair value; the higher the discount for lack of control, the lower the fair value

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 30,256	Net asset value	Not applicable	Not applicable	Not applicable
Unlisted shares	763	Market comparable companies	Discount for lack of marketability	20.60%	The higher the discount for lack of marketability, the lower the fair value
Unlisted shares	21,115	Income approach	Discount for lack of marketability and discount for lack of control	15.80%	The higher the discount for lack of marketability, the lower the fair value; the higher the discount for lack of control, the lower the fair value
Unlisted shares	103,861	Income approach	Discount for lack of marketability and discount for lack of control	31.84%	The higher the discount for lack of marketability, the lower the fair value; the higher the discount for lack of control, the lower the fair value

J. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. Based on the assessment, there is no material impact on profit or loss or other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed.

13. Supplementary Disclosures

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company’s paid-in capital: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 6.

(4) Major shareholders information

Major shareholders information: Please refer to table 9.

14. Segment Information

Not applicable.

FOCI FIBER OPTIC COMMUNICATIONS, INC.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Item	Description	Amount
Cash：		
Cash on hand		$ 50
Cash in banks		
Checking deposits		123
Demand deposits		
-NTD		46,809
-USD	USD 196,787.28 Exchange Rate 30.69	6,039
-JPY	JPY 8,000 Exchange Rate 0.217	2
Time deposits		
-NTD	Expiration date are January 2024~February 2024, interest rate 0.36%~1.28%	623,995
-USD	Expiration date is January 2024, interest rate 3.80%~5.10% USD 1,700,000 Exchange Rate 30.69	52,173
		$ 729,191

FOCI FIBER OPTIC COMMUNICATIONS, INC.
STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Client Name	Description	Amount	Note
General customers:			
Customer C		$ 186,930	
Customer H		14,026	
Others		62,509	Balance of each client has not exceeded 5% of total account balance. Amount of account overdue one year is zero.
		263,465	
Less: Allowance for uncollectible accounts		(75)	
		263,390	
Related parties：			
SHANGHAI FOCI Fiber Optic Communications, Inc.		26,071	
Zhongshan FOCI Fiber Optic Communications, Inc.		53,845	
BKS TEC Corp.		1,391	
		81,307	
		$ 344,697	

FOCI FIBER OPTIC COMMUNICATIONS, INC.
STATEMENT OF INVENTORIES
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Item	Description	Amount		Note
		Cost	Net Realizable Value	
Raw materials		$ 15,139	$ 16,231	Use replacement costs as market price
Work in process		6,885	6,890	Use net realizable value as market price
Finished goods		193,104	212,294	Use net realizable value as market price
		215,128	$ 235,415	
Less: Allowance for valuation loss		(14,957)		
		$ 200,171		

FOCI FIBER OPTIC COMMUNICATIONS, INC.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Beginning Balance		Addition (Note 1)		Decrease (Note 1)		Ending Balance			Market Value or Net Assets Value			
Name	Thousand Shares	Amount	Thousand Shares	Amount	Thousand Shares	Amount	Thousand Shares	Percentage of Ownership	Amount	Unit Price	Total Amount	Collateral	Note
FIOPTEC Inc.(Cayman Island)	15,050	$493,845	-	$ -	(2,850)	($ 85,384)	12,200	100%	$ 408,461	33.48	$ 408,461	None	
BKS TEC Corp.	6,000	14,673	-	-	-	(8,029)	6,000	11.07%	6,644	1.11	6,644	None	
		$508,518		$ -		($ 93,413)			$ 415,105		$ 415,105		

Note 1: Including investment profit or loss, realised (unrealised) gross profit from sales and currency translation differences.

FOCI FIBER OPTIC COMMUNICATIONS, INC.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Item	Volume (Thousand)	Amount
Sales revenue		
Optical fiber patch cords	10,095	$ 954,752
Micro optical fiber devices	31	69,900
Optical fiber coupling products	108	58,905
Optical fiber passive components - others	168	67,426
Optical fiber connectors	1,918	16,742
Advanced packaging products	17	4,409
Others, non-optical fiber passive compone	105	43,458
		1,215,592
Less: Sales returns and allowances		(7,462)
		1,208,130
Rental revenue		10,528
Net amount of operating revenue		$ 1,218,658

FOCI FIBER OPTIC COMMUNICATIONS, INC..
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Item	Description	Total
Cost of goods sold from manufacturing		
Beginning raw materials		$ 29,051
Add: Materials purchased		382,209
Gains on physical count of raw materials		36
Less: Ending raw materials		(15,139)
Transfer to expenses		(2,728)
Transfer to scrap		(1,397)
Raw materials consumed		403,204
Direct labor		39,321
Manufacturing expense		97,633
Manufacturing cost		540,158
Add: Beginning work in Progress		3,824
Transferred from finished goods		109
Semi-finished goods purchased		3,036
Less: Ending work in Progress		(6,885)
Transferred to finished goods		(1,000)
Semi-finished goods transferred to expenses		(143)
Loss on physical inventory		(78)
Cost of finished goods		539,021
Add: Beginning finished goods		221,154
Finished goods purchased		526,681
Transferred from work in progress		1,000
Less: Ending finished goods		(193,104)
Transferred to work in progress		(109)
Transfer to expenses		(583)
Transfer to scrap		(241)
Loss on physical inventory		(11)
Cost of goods sold		1,082,636
Gain on reversal of decline in market value		(2,328)
Losses from scrapped inventory		1,638
Cost of rental sales		2,123
Other operating costs		2,471
Loss on physical inventory		53
Total operating cost		$ 1,086,593

FOCI FIBER OPTIC COMMUNICATIONS, INC..
STATEMENT OF MANUFACTURING OVERHEAD
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Item	Description	Amount	Note
Wages and salaries		$ 26,091	
Depreciation expense		44,063	
Other expenses		27,479	None of balances of each remaining items is greater than 5% of this account.
		$ 97,633	

FOCI FIBER OPTIC COMMUNICATIONS, INC..
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Item	Description	Amount	Note
Wages and salaries		$ 10,465	
Traveling expense		5,410	
Freight		1,849	
Professional service fees		1,544	
Other expenses		4,025	None of balances of each remaining items is greater than 5% of this account.
		$ 23,293	

FOCI FIBER OPTIC COMMUNICATIONS, INC.
STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Item	Description	Amount	Note
Wages and salaries		$ 41,089	
Professional service fees		7,357	
Stock agent expense		4,979	
Other expenses		17,427	None of balances of each remaining items is greater than 5% of this account.
		$ 70,852	

FOCI FIBER OPTIC COMMUNICATIONS, INC.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Item	Description	Amount	Note
Wages and salaries		$ 59,122	
Depreciation expense		20,937	
Professional service fees		5,884	
Other expenses		23,832	None of balances of each remaining items is greater than 5% of this account.
		$ 109,775	

FOCI FIBER OPTIC COMMUNICATIONS, INC.

SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSES BY FUNCTION

FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Function / Nature	Year ended December 31, 2023			Year ended December 31, 2022		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense						
Wages and salaries	$ 56,156	$ 79,202	$ 135,358	$ 76,598	$ 75,825	$ 152,423
Share-based payments	6,413	23,331	29,744	-	-	-
Labour and health insurance fees	5,993	8,365	14,358	8,700	7,561	16,261
Directors' remuneration	-	3,790	3,790	-	4,419	4,419
Pension costs	2,604	4,353	6,957	3,723	3,985	7,708
Other personnel expenses	3,677	4,198	7,875	5,809	3,880	9,689
Depreciation Expense	46,186	23,946	70,132	49,952	17,731	67,683
Amortisation Expense	562	1,093	1,655	75	495	570

Note:

1.As at December 31, 2023 and 2022, the Company had 208 and 249 employees,including 6 and 6 non-employee directors, respectively.

2.A company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the following information：

(1) Average employee benefit expense in current year was $961.

(“total employee benefit expense for the current year – total directors’ remuneration”/ “the number of employees in the current year–the number of directors who didn't concurrently serve as employees.”).

Average employee benefit expense in previous year was $765.

(“total employee benefit expense for the previous year–total directors’ remuneration”/ “the number of employees in the previous year–the number of directors who didn't concurrently serve as employees.”).

(2) Average employees salaries in current year was $670.

(total salaries and wages for the current year/ "the number of employees in the current year– the number of directors who didn't concurrently serve as employees.”).

Average employees salaries in previous year was $627.

(total salaries and wages for the previous year/ “the number of employees in the previous year – the number of directors who didn't concurrently serve as employees.”)

FOCI FIBER OPTIC COMMUNICATIONS, INC.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSES BY FUNCTION (Cont.)
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

(3) Adjustments of average employees salaries was 6.86%.

(“the average employee salaries and wages for the current year–the average employee salaries and wages for the previous year”/ the average employee salaries and wages for the previous year

(4) Since the Company has an Audit Committee, there is no remuneration for supervisors.

(5) The Company’s compensation policies (including directors, executive officers and employees).

The emoluments of the Company’s directors include independent directors’ salaries, transportation allowances and directors’remuneration. Independent directors receive a fixed amount of remuneration monthly and do not participate in the distribution of the director remuneration. Transportation allowances are paid based on the directors’ attendance at the Board of Directors’ meetings. Except for the independent directors who do not participate in the distribution of the director remuneration, under the Company’s Articles of Incorporation, the current year’s earnings, if any, shall be distributed at no higher than 5% as directors’ remuneration, and the distribution shall be reviewed by the Remuneration Committee and be resolved by the Board of Directors. The emoluments of the Company’s managers and employees include salaries, post-employment pensions, bonus and employees’ compensation, etc., which are based on the general pay levels of the position in the same industry, the duties and responsibilities within the Company, the contribution to the Company’s operating goals and personal performance achievements, in order to give reasonable compensation. The Remuneration Committee sets and periodically reviews directors’ and managers’ performance assessments and the policies, systems, standards, and structure of compensation, as well as periodically assesses and sets the reasonableness of directors’ and managers’ remuneration and reports the suggestions to the Board of Directors for discussion. Additionally, under the Company’s Articles of Incorporation, the current year’s earnings, if any, shall be distributed 5%~15% as employees’ compensation.

FOCI FIBER OPTIC COMMUNICATIONS, INC. AND SUBSIDIARIES

Loans to others

Year ended December 31, 2023

Table 1

Expressed in thousands of NTD; thousands of USD; thousands of CNY

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2023 (Note 2)	Balance at December 31, 2023	Actual amount drawn down	Interest rate	Nature of loan (Note 3)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for creditor counterparty doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
2	Jiangxi FOCI Fiber Optic Communication, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	Other receivables due from related parties	Yes	$ 95,216 (CNY 22,000)	$ 95,216 (CNY 22,000)	$ 95,216 (CNY 22,000)	3.45	Short-term financing	$ -	Opertations	-	-	-	$ 102,763 (Note 4)	$ 102,763 (Note 4)	

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is ‘0’.

(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Fill in the maximum outstanding balance of loans to others during the year ended December 31, 2023.

Note 3: The column of ‘Nature of loan’ shall fill in ‘Business transaction or ‘Short-term financing’.

Note 4: For loans granted by Jiangxi FOCI Fiber Optic Communication, Inc. to companies whoes voting rights are 100% directly or indirectly owned by the parent company, ceiling on total loans granted is the net assests of Jiangxi FOCI Fiber Optic Communication, Inc.

FOCI FIBER OPTIC COMMUNICATIONS, INC. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

Year ended December 31, 2023

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/guarantor	Party being endorsed/ guaranteed		Limit on endorsements/guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2023	Outstanding endorsement/ guarantee amount at December 31, 2023	Actual amount drawn down	Amount of endorsements/guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/guarantor company (%)	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	Footnote
		Company name	Relationship with the endorser/guarantor (Note 2)											
0	The Company	Shanghai FOCI Fiber Optic Communications, Inc.	2	$ 641,474	$ 61,380	$ -	$ -	$ -	2.87%	$ 1,069,124	Y	N	Y	
0	The Company	Zhongshan FOCI Fiber Optic Communications, Inc.	2	641,474	30,690	-	-	-	1.44%	1,069,124	Y	N	Y	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

(5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.

(6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: Ceiling on total amount of endorsements/guarantees provided by the Company shall not exceed 50% of its current net assets. Limit on endorsements/guarantees provided for a single party shall not exceed 20% of its current net assets, and for a single foreign affiliated company shall not exceed 30% of net assets.

If the endorsements/guarantees are provided because of having business relationship, the amount of endorsements/guarantees shall not exceed the total transaction amount with the Company in the latest year.

FOCI FIBER OPTIC COMMUNICATIONS, INC. AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2023

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2023 Number of shares/units (thousands of shares/units)	Book value	Ownership (%)	Fair value	Footnote
FOCI Fiber Optic Communications, Inc.	APEX OPTECH CORPORATION	None	Financial assets at fair value through other comprehensive	99	$ 1,576	3.95%	$ 1,576	
FOCI Fiber Optic Communications, Inc.	APEX BVI	None	Financial assets at fair value through other comprehensive	155	-	1.83%	-	
FOCI Fiber Optic Communications, Inc.	DARJUN VENTURE CORPORATION	None	Financial assets at fair value through other comprehensive	2,738	28,040	5.78%	28,040	
FOCI Fiber Optic Communications, Inc.	GINGY Technology Inc.	None	Financial assets at fair value through other comprehensive	62	124	0.86%	124	
FOCI Fiber Optic Communications, Inc.	Xsense Technology Corporation, INC.	None	Financial assets at fair value through other comprehensive	2,263	39,988	9.84%	39,988	
FOCI Fiber Optic Communications, Inc.	Aptos Technology Inc.	None	Financial assets at fair value through other comprehensive	9,000	47,701	14.91%	47,701	
FOCI Fiber Optic Communications, Inc.	ADVAGENE BIOPHARMA CO., LTD.	None	Financial assets at fair value through other comprehensive	1,207	30,658	2.26%	30,658	
FOCI Fiber Optic Communications, Inc.	United Microelectronics Corporation	None	Financial assets at fair value through profit or loss	4,000	210,400	0.03%	210,400	

FOCI FIBER OPTIC COMMUNICATIONS, INC. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2023

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance at December 31, 2023	Percentage of total notes/accounts receivable (payable)	Footnote
The Company	Shanghai FOCI Fiber Optic Communications, Inc.	Subsidiary	Purchase	$ 356,617	30.65%	60 days	Note 1	Note 1	($ 108,138)	33.96%	
The Company	Zhongshan FOCI Fiber Optic Communications, Inc.	Subsidiary	Purchase	408,904	35.15%	60 days	Note 1	Note 1	(164,614)	51.70%	
The Company	Zhongshan FOCI Fiber Optic Communications, Inc.	Subsidiary	Sales	183,801	14.45%	60 days	Note 2	Note 2	53,845	15.59%	

Note 1: The goods purchased by the Company from related parties have not been purchased from other suppliers, and thus there is no market price for comparison. Transaction prices were determined by referring to market prices and based mutual agreement. Payment terms were available to third parties, but the payments can also be collected according to the capital needs of subsidiaries.

Note 2: The Products sold by the Company to related parties have not been sold to other custimers, and thus there is no selling price for comparison.
The payment terms for related parties are 60 days, and the third parties are 30-120 days.

FOCI FIBER OPTIC COMMUNICATIONS, INC. AND SUBSIDIARIES

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2023

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2023	Turnover rate	Overdue receivables Amount	Overdue receivables Action taken	Amount collected subsequent to the balance sheet date	Allowance for creditor counterparty doubtful accounts
Shanghai FOCI Fiber Optic Communications, Inc.	FOCI Fiber Optic Communications, Inc.	Parent company of the entity	$ 108,138	2.86	$ -	-	$ 4,699	$ -
Zhongshan FOCI Fiber Optic Communications, Inc.	FOCI Fiber Optic Communications, Inc.	Parent company of the entity	164,614	3.28	-	-	34,203	-

FOCI FIBER OPTIC COMMUNICATIONS, INC. AND SUBSIDIARIES

Significant inter-company transactions during the reporting periods

Year ended December 31, 2023

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)
0	FOCI Fiber Optic Communications, Inc.	Shanghai FOCI Fiber Optic Communications, Inc.	1	Purchase	$ 356,617	Note 5	28%
0	FOCI Fiber Optic Communications, Inc.	Shanghai FOCI Fiber Optic Communications, Inc.	1	Sales	84,894	Note 5	7%
0	FOCI Fiber Optic Communications, Inc.	Shanghai FOCI Fiber Optic Communications, Inc.	1	Accounts payable	108,138	Note 5	4%
0	FOCI Fiber Optic Communications, Inc.	Shanghai FOCI Fiber Optic Communications, Inc.	1	Accounts receivable	26,071	Note 5	1%
0	FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	1	Purchase	408,904	Note 5	32%
0	FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	1	Sales	183,801	Note 5	16%
0	FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	1	Accounts payable	164,614	Note 5	7%
0	FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	1	Accounts receivable	53,845	Note 5	2%
1	Jiangxi FOCI Fiber Optic Communication, Inc.	Shanghai FOCI Fiber Optic Communications, Inc.	3	Accounts receivable	4,508	Note 5	0%
1	Jiangxi FOCI Fiber Optic Communication, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	3	Other receivables	95,216	Note 6	4%
2	Shanghai FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	3	Purchase	17,587	Note 5	1%
2	Shanghai FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	3	Sales revenue	31,091	Note 5	2%
2	Shanghai FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	3	Accounts receivable	6,418	Note 5	0%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is ‘0’.

(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

Note 5: The price of related party transactions was based on the mutual agreement, the collecting and payment terms were 60~90 days after the date of sales or purchase.

Note 6: It refers to loans between subsidiaries.

FOCI FIBER OPTIC COMMUNICATIONS, INC. AND SUBSIDIARIES

Information on investees

Year ended December 31, 2023

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2023			Net income of investee as of December 31, 2023	Investment income(loss) recognised by the Company for the year ended December 31, 2023	Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value			
FOCI Fiber Optic Communications, Inc.	FIOPTEC Inc.	Cayman Islands	Investment business	$ 389,004	$ 370,421	12,200,000	100%	$ 408,461	$ 11,588	$ 11,588	Note 1
FOCI Fiber Optic Communications, Inc.	BKS TEC Corp.	Taiwan	Optoelectronic industry	21,420	21,420	6,000,000	11.07%	6,644	(38,623)	(4,240)	

Note 1: On November 3, 2022, the Board of Directors of FIOPTEC Inc. approved the capital reduction and returned US$2,850 thousand, approximately NT$86,526 thousand. The returned proceeds were actually remitted back on January 12, 2023.

FOCI FIBER OPTIC COMMUNICATIONS, INC. AND SUBSIDIARIES

Information on investments in Mainland China

Year ended December 31, 2023

Table 8

Expressed in thousands of NTD; thousands of USD; thousands of CNY

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Net income of investee as of December 31, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2023 (Note 3)	Book value of investments in Mainland China as of December 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Shanghai FOCI Fiber Optic Communications, Inc.	Manufacture and processing of passive fiber optical components, patchcords, pigtails, couplers, test equipment, switch, optical controller, fiber optical communication apparatus room, parts and components and related consulting and technology services and sales of the Company's products	USD 7,200	Note 1	$ 325,914 (USD 10,050)	$ -	$ 86,526	$ 239,388 (USD 7,200)	$ 11,670	100%	$ 11,670	$ 305,698	$ 105,109	
Jiangxi FOCI Fiber Optic Communication, Inc.	Manufacture and processing of passive fiber optical components, patchcords, pigtails, couplers, test equipment, switch, optical controller, fiber optical communication apparatus room, parts and components and related consulting and technology services and sales of the Company's products	USD 5,000	Note 1	149,616 (USD 5,000)	-	-	149,616 (USD 5,000)	(82)	100%	(82)	102,763	-	
Zhongshan FOCI Fiber Optic Communications, Inc.	Manufacture and processing of passive fiber optical components, patchcords, pigtails, couplers, test equipment, switch, optical controller, fiber optical communication apparatus room, parts and components and related consulting and technology services and sales of the Company's products	CNY 20,000	Note 2	-	-	-	-	6,098	100%	6,098	80,356	-	

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
FOCI Fiber Optic Communications, Inc.	$ 389,004	$ 389,004	$ 1,282,949

Note 1: Reinvestments in Mainland China company through FIOPTEC INC.

Note 2: Reinvestment in Mainland China company through Shanghai FOCI Fiber Optic Communications, Inc.

Note 3: The financial statements of Shanghai FOCI Fiber Optic Communications, Inc. and Zhongshan FOCI Fiber Optic Communications, Inc. were reviewed and calculated by the parent company's CPA in the same period.

Major shareholders information

December 31, 2023

Table 9

Name of major shareholders	Shares	
	Name of shares held	Ownership (%)
Song-fure Lin	5,124,102	5.19%

Appendix 3: 2023 consolidated financial statements and independent auditors' report

FOCI FIBER OPTIC COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2023 AND 2022

For the convenience of readers and for information purpose only, the 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. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

Representation Letter

In connection with the Consolidated Financial Statements of Affiliated Enterprises of FOCI FIBER OPTIC COMMUNICATIONS, INC. (the "Consolidated FS of the Affiliates"), we represent to you that, the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2023 in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as those required to be included in the Consolidated Financial Statements of FOCI FIBER OPTIC COMMUNICATIONS, INC. and its subsidiaries (the "Consolidated FS of the Group") in accordance with International Financial Reporting Standard 10. Additionally, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, FOCI FIBER OPTIC COMMUNICATIONS, INC. does not prepare a separate set of Consolidated FS of Affiliates.

Very truly yours,
FOCI FIBER OPTIC COMMUNICATIONS, INC.
By

Song-fure Lin, Chairman
February 22, 2024

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR23003827

To the Board of Directors and Shareholders of FOCI Fiber Optic Communications, Inc.

Opinion

We have audited the accompanying consolidated balance sheets of FOCI Fiber Optic Communications, Inc. and subsidiaries (the "Group") as at December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, 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 that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated Financial Statements* section of our report. We are independent of the Group in accordance with 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 Inventory Valuation

Description of key audit matter

Refer to Note 4(14) for accounting policies on inventory valuation, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to inventory valuation losses, and Note 6(6) for details of inventories. The Group is primarily engaged in researching, developing, manufacturing, selling of optical fiber communication. Due to the rapid innovations in communication technology and the highly competitive market, there was a higher risk of incurring inventory loss on decline in market value or having obsolete inventory. Given that the net realisable value used in the inventory valuation usually involved subjective judgement and estimation uncertainty, and the inventories were material to the financial statements, we considered the inventory valuation as one of the key audit matters.

How the matter was addressed in our audit

In relation to the key audit matter above, our principal audit procedures the inventory valuation losses are as follows:

1. Obtained an understanding on the Group’s operations and its industry characteristic to assess the reasonableness of the Group’s policies on and procedures for allowance for inventory valuation losses.

2. Assessed and tested the reasonableness of the basis of net realisable value used by management and the accuracy of the net realisable value calculation.
3. Acquired management's individually identified obsolete or damaged inventory list, inspected the related supporting documents and proper recognition in the financial statements.

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, 2023 and 2022.

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 that came into effect 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

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

4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s 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 auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Shu-Chien Pai	Li, Tien-Yi

For and on behalf of PricewaterhouseCoopers, Taiwan

February 22, 2024

FOCI FIBER OPTIC COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2023 AMOUNT	%	December 31, 2022 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 913,040	38	$ 561,256	26
1110	Financial assets at fair value through profit or loss - current	6(2)	210,400	9	162,800	7
1150	Notes receivable, net	6(5)	641	-	92	-
1170	Accounts receivable, net	6(5)	277,195	11	330,611	15
1180	Accounts receivable - related parties	6(5) and 7	1,391	-	789	-
1200	Other receivables	7	5,518	-	11,189	1
130X	Inventories	6(6)	243,139	10	342,559	16
1470	Other current assets		14,562	1	7,163	-
11XX	**Current Assets**		1,665,886	69	1,416,459	65
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	148,087	6	192,265	9
1535	Non-current financial assets at amortised cost, net	6(4) and 8	2,939	-	2,939	-
1550	Investments accounted for using equity method	6(7)	6,644	-	14,673	1
1600	Property, plant and equipment	6(8)	355,893	15	376,918	17
1755	Right-of-use assets	6(9)	93,797	4	97,270	5
1760	Investment property - net	6(11)	51,405	2	53,528	2
1780	Intangible assets		7,623	-	3,291	-
1840	Deferred income tax assets	6(29)	25,212	1	9,211	-
1900	Other non-current assets	6(12) and 7	61,615	3	11,375	1
15XX	**Non-current assets**		753,215	31	761,470	35
1XXX	**Total assets**		$ 2,419,101	100	$ 2,177,929	100

(Continued)

FOCI FIBER OPTIC COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2023 AMOUNT	%	December 31, 2022 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(13)	$ -	-	$ 180,000	8
2130	Current contract liabilities	6(22)	2,256	-	6,089	-
2150	Notes payable		1,873	-	1,546	-
2170	Accounts payable		113,892	5	131,190	6
2200	Other payables	6(15) and 7	57,186	2	67,179	3
2230	Current income tax liabilities		1,487	-	17,684	1
2280	Current lease liabilities		13,813	1	18,066	1
2300	Other current liabilities	6(14)	2,618	-	8,514	1
21XX	**Current Liabilities**		193,125	8	430,268	20
	Non-current liabilities					
2570	Deferred income tax liabilities	6(29)	3,926	-	3,683	-
2580	Non-current lease liabilities		82,087	4	81,761	4
2600	Other non-current liabilities		1,714	-	1,714	-
25XX	**Non-current liabilities**		87,727	4	87,158	4
2XXX	**Total Liabilities**		280,852	12	517,426	24
	Equity					
	Share capital	6(18)				
3110	Share capital - common stock		986,406	41	883,366	40
	Capital surplus	6(19)				
3200	Capital surplus		1,017,177	42	555,581	25
	Retained earnings	6(20) and 11				
3310	Legal reserve		135,135	6	130,433	6
3320	Special reserve		168,227	7	170,586	8
3350	Unappropriated retained earnings		54,166	2	88,764	4
	Other equity interest	6(21)				
3400	Other equity interest		(222,862)	(10)	(168,227)	(7)
3XXX	**Total equity**		2,138,249	88	1,660,503	76
	Significant events after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 2,419,101	100	$ 2,177,929	100

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

FOCI FIBER OPTIC COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

	Items	Notes	2023 AMOUNT	2023 %	2022 AMOUNT	2022 %
4000	Sales revenue	6(22) and 7	$ 1,271,745	100	$ 1,620,659	100
5000	Operating costs	6(6)(27)(28)	(1,093,928)	(86)	(1,323,529)	(82)
5900	Net operating margin		177,817	14	297,130	18
	Operating expenses	6(27)(28)				
6100	Selling expenses		(29,094)	(2)	(38,554)	(2)
6200	General and administrative expenses		(98,936)	(8)	(83,789)	(5)
6300	Research and development expenses		(109,775)	(9)	(77,580)	(5)
6450	Expected credit gains (losses)	12(2)	1,742	-	(65)	-
6000	Total operating expenses		(236,063)	(19)	(199,988)	(12)
6900	Operating (loss) profit		(58,246)	(5)	97,142	6
	Non-operating income and expenses					
7100	Interest income	6(23)	5,948	-	1,859	-
7010	Other income	6(24)	18,409	1	6,877	-
7020	Other gains and losses	6(25)	49,271	4	(24,452)	(1)
7050	Finance costs	6(26)	(5,440)	-	(4,014)	-
7060	Share of loss of associates and joint ventures accounted for using equity method	6(7)	(4,240)	-	(4,736)	-
7000	Total non-operating income and expenses		63,948	5	(24,466)	(1)
7900	**Profit (loss) before income tax**		5,702	-	72,676	5
7950	Income tax benefit (expense)	6(29)	6,356	1	(25,655)	(2)
8200	**Profit for the year**		$ 12,058	1	$ 47,021	3
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(3)(21)	($ 44,177)	(3)	($ 5,680)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(21)	(13,072)	(1)	10,049	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(21)(29)	2,614	-	(2,010)	-
8300	**Other comprehensive (loss) income for the year**		($ 54,635)	(4)	$ 2,359	-
8500	**Total comprehensive (loss) income for the year**		($ 42,577)	(3)	$ 49,380	3
	Profit, attributable to:					
8610	Owners of parent		$ 12,058	1	$ 47,021	3
	Comprehensive (loss) income attributable to:					
8710	Owners of parent		($ 42,577)	(3)	$ 49,380	3
	Basic earnings per share	6(30)				
9750	Basic earnings per share		$ 0.13		$ 0.53	
	Diluted earnings per share	6(30)				
9850	Diluted earnings per share		$ 0.13		$ 0.53	

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

sFOCI FIBER OPTIC COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent							
				Retained earnings			Other equity interest		
	Notes	Share capital - common stock	Capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
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(20)								
Legal reserve		-	-	15,326	-	(15,326)	-	-	-
Special reserve		-	-	-	38,309	(38,309)	-	-	-
Cash dividends		-	-	-	-	(141,304)	-	-	(141,304)
Convertible corporate bond conversion	6(18)(19)	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
2023									
Balance at January 1, 2023		$ 883,366	$ 555,581	$ 130,433	$ 170,586	$ 88,764	($ 31,436)	($ 136,791)	$ 1,660,503
Net profit		-	-	-	-	12,058	-	-	12,058
Other comprehensive loss for the year		-	-	-	-	-	(10,458)	(44,177)	(54,635)
Total comprehensive income (loss)		-	-	-	-	12,058	(10,458)	(44,177)	(42,577)
Distribution of retained earnings of 2022:	6(20)								
Legal reserve		-	-	4,702	-	(4,702)	-	-	-
Special reserve		-	-	-	(2,359)	2,359	-	-	-
Cash dividends		-	-	-	-	(44,313)	-	-	(44,313)
Convertible corporate bond conversion	6(18)(19)	3,040	3,852	-	-	-	-	-	6,892
Cash capital increase	6(18)(19)	100,000	428,000	-	-	-	-	-	528,000
Share-based payments	6(17)(19)(28)	-	29,744	-	-	-	-	-	29,744
Balance at December 31, 2023		$ 986,406	$ 1,017,177	$ 135,135	$ 168,227	$ 54,166	($ 41,894)	($ 180,968)	$ 2,138,249

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

FOCI FIBER OPTIC COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 5,702	$ 72,676
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(8)(9)(11)(27)	95,241	96,579
Amortisation expense	6(27)	3,013	570
Expected credit (gains) losses	12(2)	(1,742)	65
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	6(25)	(47,600)	74,690
Interest expense	6(26)	5,440	4,014
Interest income	6(23)	(5,948)	(1,859)
Dividend income	6(3)(24)	(15,223)	(1,095)
Share-based payments	6(17)(28)	29,744	-
Share of profit of associates accounted for using equity method	6(7)	4,240	4,737
Loss on disposals of property, plant and equipment	6(25)	3,275	18,414
Impairment loss of investments accounted for using equity method	6(25)	3,790	-
Impairment reversal on non-financial assets	6(25)	-	(19,242)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(549)	935
Accounts receivable (including related parties)		54,209	141,538
Other receivables (including related parties)		6,779	28,852
Inventories		98,142	22,474
Other current assets		(7,532)	2,832
Changes in operating liabilities			
Contract liabilities		(3,833)	2,638
Notes payable		327	(357)
Accounts payable (including related parties)		(15,744)	(136,893)
Other payables		(9,761)	(42,015)
Other current liabilities		951	(1,893)
Cash inflow generated from operations		202,921	267,660
Dividends received	6(3)	15,223	1,095
Income taxes paid		(25,541)	(52,692)
Net cash flows from operating activities		192,603	216,063

(Continued)

FOCI FIBER OPTIC COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through other comprehensive income		$ -	($ 70,002)
Proceeds from disposal of financial assets at amortised cost		-	58
Acquisition of financial assets at fair value through profit or loss		-	(237,460)
Acquisition of property, plant and equipment	6(31)	(55,462)	(17,050)
Proceeds from disposal of property, plant and equipment		1,158	68,352
Decrease (increase) in guarantee deposits paid		(1,861)	597
Acquisition of intangible assets		(6,092)	(3,440)
Increase in other non-current assets		(1,248)	(469)
Increase in prepayments for equipment		(49,065)	(5,251)
Interest received		5,257	1,797
Net cash flows used in investing activities		(107,313)	(262,868)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term loans	6(32)	460,000	360,000
Decrease in short-term loans	6(32)	(640,000)	(200,000)
Decrease in guarantee deposits received		-	(372)
Payments of lease liabilities	6(32)	(21,294)	(21,235)
Cash dividends paid	6(20)	(44,313)	(141,304)
Cash capital increase	6(18)	528,000	-
Interest paid		(5,465)	(3,782)
Net cash flows from (used in) financing activities		276,928	(6,693)
Effect of exchange rate changes		(10,434)	1,194
Net increase (decrease) in cash and cash equivalents		351,784	(52,304)
Cash and cash equivalents at beginning of year		561,256	613,560
Cash and cash equivalents at end of year		$ 913,040	$ 561,256

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, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organization

FOCI Fiber Optic Communications, Inc. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on June 14, 1995 and started operation in September 1995. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the research, manufacture and sales of various passive fiber optical components, fiber optic test equipment, fiber optics application system and plan, design, consulting and technology services of system integration of the aforementioned products.

The Company’s stock was listed on the Taipei Exchange on February 25, 2011.

2. The Date of Authorization for Issuance of the Financial Statements and Procedures for Authorization

These consolidated financial statements were authorized for issuance by the Board of Directors on February 22, 2024.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) Accounting Standards 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 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023
Amendments to IAS 12, ‘International tax reform - pillar two model rules’	May 23, 2023

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

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

New standards, interpretations and amendments endorsed by the FSC and will become effective from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024

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

(3) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025

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

4. Summary of Material Accounting Policies

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

(1) Compliance statement

The consolidated financial statements of the Group 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) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income.

B. The preparation of financial statements in conformity with 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") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group'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) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group 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 Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(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 non-controlling interests having a deficit balance.

(d) 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 recognized directly in equity.

(e) When the Group loses control of a subsidiary, the Group 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 recognized in profit or loss. All amounts previously recognized 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 Group loses control of a subsidiary, all gains or losses previously recognized 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.

B. Subsidiaries included in the consolidated financial statements:

			Ownership(%)		
Name of investor	Name of subsidiary	Main business activities	December 31, 2023	December 31, 2022	Note
FOCI Fiber Optic Communications, Inc.	FIOPTEC Inc.	Investment business	100%	100%	
FIOPTEC Inc.	Shanghai FOCI Fiber Optic Communications, Inc.	Manufacture and processing of passive fiber optical components, patchcords, pigtails, couplers, test equipment, switch, optical controller, fiber optical communication apparatus room, parts and components and related consulting and technology services and sales of the Company’s products	100%	100%	

Name of investor	Name of subsidiary	Main business activities	Ownership(%) December 31, 2023	Ownership(%) December 31, 2022	Note
FIOPTEC Inc.	Jiangxi FOCI Fiber Optic Communication, Inc.	Manufacture and processing of passive fiber optical components, patchcords, pigtails, couplers, test equipment, switch, optical controller, fiber optical communication apparatus room, parts and components and related consulting and technology services and sales of the Company's products	100%	100%	
Shanghai FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	Manufacture and processing of passive fiber optical components, patchcords, pigtails, couplers, test equipment, switch, optical controller, fiber optical communication apparatus room, parts and components and related consulting and technology services and sales of the Company's products	100%	100%	

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group'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 Group's presentation currency.

A. Foreign currency transactions and balances

(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 re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

(c) 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 recognized 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 recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities, associates and joint arrangements 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 recognized in other comprehensive income.

(5) <u>Classification of current and non-current items</u>

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realized, 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 realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

Otherwise they are classified as non-current assets.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(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.

Otherwise they are classified as non-current liabilities.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts 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 commitments in operations are classified as cash equivalents.

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

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

D. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognized 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 recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortized cost

A. Financial assets at amortized cost are those that meet all of the following criteria:

(a) The objective of the Group's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.

C. Restricted bank deposits are classified as financial assets at amortized cost due to not meeting the definition of cash and cash equivalents.

D. The Group'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

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. 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 financial assets at amortized cost, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(13) Leasing arrangements (lessor)－lease receivables/ operating leases

A. Based on the terms of a lease contract, a lease is classified as a finance lease if the lessee assumes substantially all the risks and rewards incidental to ownership of the leased asset.

(a) At commencement of the lease term, the lessor should record a finance lease in the balance sheet as 'lease receivables' at an amount equal to the gross investment in the lease (including initial direct costs). The difference between gross lease receivable and the present value of the receivable is recognized as 'unearned finance income of finance lease'.

(b) The lessor should allocate finance income over the lease term based on a systematic and rational basis reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

(c) Lease payments (excluding costs for services) during the lease term are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

B. Lease income from an operating lease (net of any incentives given to the lessee) is recognized 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 realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, 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 realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(15) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group 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 recognized at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. 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 Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group'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 Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized 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.

F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized 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 recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

G. 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

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other 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.

D. 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 ~ 55 years
Machinery and equipment	5 ~ 10 years
R&D equipment	3 years
Transportation equipment	5 years
Office equipment	5 ~ 10 years
Miscellaneous equipment	5 years

(17) Leasing arrangements (lessee)－right-of-use assets/ lease liabilities

A. Leases are recognized 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 Group. 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.

B. 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 payments, less any lease incentives receivable;

(b) Variable lease payments that depend on an index or a rate;

(c) Amounts expected to be payable by the lessee under residual value guarantees;

(d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and

(e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Group subsequently measures the lease liability at amortized 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.

C. 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 initial direct costs incurred by the lessee; and

(d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying 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

An investment property is stated initially at its cost and measured subsequently using the cost model. Investment property is depreciated on a straight-line basis over its estimated useful life of 8 ~ 55 years.

(19) Intangible assets

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

(20) Impairment of non-financial assets

The Group 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 recognized 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 recognizing 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 amortized historical cost would have been if the impairment had not been recognized.

(21) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(22) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

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

(23) Convertible bonds payable

A. Convertible bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

(a)The embedded call options and put options are recognized initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognized as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

(b)The host contracts of bonds or are initially recognized at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable or and subsequently is amortized in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.

(c)The embedded conversion options which meet the definition of an equity instrument are initially recognized in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.

(d)Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.

(e)When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable' and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus—share options'.

(24) Derecognition of financial liabilities

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

(25) Non-hedging and embedded derivatives

A. Non-hedging derivatives are initially recognized at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognized in profit or loss.

B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognized as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortized cost based on the contract terms.

C. Under the non-financial assets, whether the hybrid contracts embedded with derivatives are accounted for separately at initial recognition is based on whether the economic characteristics and risks of an embedded derivative are closely related in the host contract. When they are closely related, the entire hybrid instrument is accounted for by its nature in accordance with the applicable standard. When they are not closely related, the derivative is accounted for differently from the host contract as derivative while the host contract is accounted for by its nature in accordance with the applicable standard. Alternatively, the entire hybrid instrument is designated as financial liabilities at fair value through profit or loss upon initial recognition.

(26) Employee benefits

A. 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 recognized as expense in that period when the employees render service.

B. Pensions

Defined contribution plans

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

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expense and liability, 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) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(28) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. 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 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.

C. Deferred tax is recognized, 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 and does not give rise to equal taxable and deductible temporary differences. 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 Group 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 realized or the deferred tax liability is settled.

D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

(29) Share capital

A. 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.

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(30) Dividends

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

(31) Revenue recognition

A. 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 recognized 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.

B. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Group recognizes the incremental costs of obtaining a contract as an expense when incurred although the Group expects to recover those costs.

(32) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually 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 related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2023, the carrying amount of inventories was $243,139.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand and petty cash	$ 356	$ 410
Checking accounts and demand deposits	193,236	331,846
Time deposits	719,448	229,000
Total	$ 913,040	$ 561,256

A. The Group 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.

B. The Group's restricted cash and cash equivalents were classified as "non-current financial assets at amortized cost", please refer to Notes 6(4) and 8.

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

	December 31, 2023	December 31, 2022
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	$ 237,460	$ 237,460
Valuation adjustment	(27,060)	(74,660)
	$ 210,400	$ 162,800
Financial assets held for trading		
Derivatives insturments	$ -	$ (46)
Valuation adjustment	-	46
	$ -	$ -

Amounts recognized in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

Items	Years ended December 31, 2023	Years ended December 31, 2022
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	$ 47,600	($ 74,660)
Financial assets held for trading		
Derivative instruments	$ -	($ 30)

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

Items	December 31, 2023	December 31, 2022
Non-current items:		
Equity instruments		
Emerging stocks	$ 69,911	$ 69,911
Unlisted stocks	259,144	259,144
Valuation adjustment	(180,968)	(136,790)
	$ 148,087	$ 192,265

A. The Group has elected to classify equity instruments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $148,087 and $192,265 as at December 31, 2023 and 2022, respectively.

B. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

Items	Years ended December 31, 2023	Years ended December 31, 2022
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	($ 44,177)	($ 5,680)
Dividend income recognised in profit or loss held at the end of the current period	$ 15,223	$ 1,095

(4) Financial assets at amortized cost

Items	December 31, 2023	December 31, 2022
Non-current items:		
Time deposits	$ 2,939	$ 2,939

A. Amounts recognized in profit or loss in relation to financial assets at amortised cost are listed below:

Items	Years ended December 31, 2023	2022
Interest income	$ 23	$ 20

B. As at December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Group was $2,939.

C. Information relating to credit risk of financial assets at amortized cost is provided in Note 12(2). The counterparties of the Group's investments in certificates of deposit are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

D. Details of the Group's non-current financial assets at amortized cost pledged to others as collateral are provided in Note 8.

(5) Notes and accounts receivable

	December 31, 2023	December 31, 2022
Notes receivable	$ 641	$ 92
Accounts receivable - general customers	277,274	332,507
Accounts receivable due from related parties	1,391	789
	279,306	333,388
Less: Allowance for uncollectible accounts	(79)	(1,896)
	$ 279,227	$ 331,492

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	December 31, 2023		December 31, 2022	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 256,348	$ 641	$ 287,909	$ 92
Up to 30 days	11,940	-	39,308	-
31 to 90 days	9,960	-	2,535	-
91 to 180 days	150	-	3,544	-
Over 180 days	267	-	-	-
	$ 278,665	$ 641	$ 333,296	$ 92

The above ageing analysis was based on past due date.

A. As of December 31, 2023 and 2022, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2022, the balance of receivables from contracts with customers amounted to $470,532.

B. As at December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable was $641 and $92; $278,665 and $333,296, respectively.

C. Information relating to credit risk of notes receivable and accounts receivable is provided in Note 12(2).

(6) Inventories

	December 31, 2023	December 31, 2022
Finished goods	$ 198,885	$ 275,660
Work in progress	16,090	6,886
Raw materials	69,275	115,375
	284,250	397,921
Allowance for inventory valuation losses	(41,111)	(55,362)
Total	$ 243,139	$ 342,559

The cost of inventories recognized as expense for the period:

	Years ended December 31,	
Items	2023	2022
Cost of goods sold	$ 1,098,868	$ 1,301,698
(Gain on reversal of) loss on decline in market value	(8,781)	2,149
Loss on scrapping inventory	1,718	17,924
Lease cost	2,123	1,758
	$ 1,093,928	$ 1,323,529

For the year ended December 31, 2023, the Group reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because of active inventory closeout.

(7) Investments accounted for using equity method

	December 31, 2023	December 31, 2022
BKS TEC Corp.	$ 6,644	$ 14,673

A. The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarized below:

	Years ended December 31,	
	2023	2022
Loss for the period from continuing operations	($ 4,240)	($ 4,736)
Other comprehensive loss, net of tax	-	-
Total comprehensive loss for the period	($ 4,240)	($ 4,736)

B. On December 31, 2023 and 2022, the Group held 11.07% and 11.76% equity interests in BKS TEC Corp. and held 1 seat in the Board of Directors, respectively, and thus the Group was considered to have significant influence over BKS TEC Corp..

C. Based on the Company's assessment, an impairment loss of $3,790 was recognized due to the recoverable amount of BKS TEC Corp. is less than its carrying amount.

(8) Property, plant and equipment

	2023							
	Buildings and structures	Machinery and equipment	Research and development equipment	Transportation equipment	Office equipment	Miscellaneous equipment	Unfinished construction and equipment under acceptance	Total
Cost								
Opening net book amount as at January 1	$ 408,025	$ 294,230	$ 77,185	$ 2,513	$ 7,355	$ 7,948	$ -	$ 797,256
Additions for the year	7,979	3,599	30,493	-	-	167	13,385	55,623
Disposals for the year	(24,285)	(2,067)	(5,846)	(590)	(851)	(202)	-	(33,841)
Reclassifications in the year	1,473	(8,301)	(8,691)	-	-	17,388	-	1,869
Translation adjustments	(430)	(1,594)	-	(39)	(87)	(433)	-	(2,583)
At December 31	$ 392,762	$ 285,867	$ 93,141	$ 1,884	$ 6,417	$ 24,868	$ 13,385	$ 818,324
Accumulated depreciation and impairment								
At January 1	$ 198,756	$ 169,766	$ 41,555	$ 1,327	$ 5,574	$ 3,360	$ -	$ 420,338
Depreciation expense for the year	16,503	36,662	17,456	242	493	1,414	-	72,770
Disposals for the year	(20,245)	(1,985)	(5,846)	(510)	(666)	(176)	-	(29,428)
Reclassifications in the year	499	(3,893)	(9,549)	-	-	13,340	-	397
Translation adjustments	(423)	(830)	-	(21)	(75)	(297)	-	(1,646)
Closing net book amount as at December 31	195,090	199,720	43,616	1,038	5,326	17,641	-	462,431
Net amount	$ 197,672	$ 86,147	$ 49,525	$ 846	$ 1,091	$ 7,227	$ 13,385	$ 355,893

	2022							
	Buildings and structures	Machinery and equipment	Research and development equipment	Transportation equipment	Office equipment	Miscellaneous equipment	Unfinished construction and equipment under acceptance	Total
Cost								
Opening net book amount as at January 1	$ 479,403	$ 345,722	$ 33,991	$ 2,231	$ 8,180	$ 6,502	$ -	$ 876,029
Additions for the year	961	6,663	10,726	619	179	2,444	-	21,592
Disposals for the year	(91,971)	(28,975)	(27,284)	(365)	(1,092)	(1,105)	-	(150,792)
Reclassifications for the year	17,553	(31,109)	59,752	-	-	-	-	46,196
Translation adjustments	2,079	1,929	-	28	88	107	-	4,231
At December 31	$ 408,025	$ 294,230	$ 77,185	$ 2,513	$ 7,355	$ 7,948	$ -	$ 797,256
Accumulated depreciation and impairment								
At January 1	$ 222,127	$ 166,617	$ 25,966	$ 1,405	$ 5,838	$ 3,145	$ -	$ 425,098
Depreciation expense for the year	18,278	39,998	13,077	231	676	1,154	-	73,414
Disposals for the year	(31,063)	(20,871)	(27,284)	(329)	(1,013)	(992)	-	(81,552)
Reversal of impairment loss	(19,242)	-	-	-	-	-	-	(19,242)
Reclassifications for the year	7,405	(16,883)	29,796	-	-	-	-	20,318
Translation adjustments	1,251	905	-	20	73	53	-	2,302
Closing net book amount as at December 31	198,756	169,766	41,555	1,327	5,574	3,360	-	420,338
Net amount	$ 209,269	$ 124,464	$ 35,630	$ 1,186	$ 1,781	$ 4,588	$ -	$ 376,918

A. The significant components of buildings include main plants and electromechanical power equipment and constructions and clean room, which are depreciated over 55 years, 10 years and 10 years, respectively.

B. The equipment was for the Group’s own use and not for lease.

(9) Leasing arrangements－lessee

A. The Group leases various assets including land, buildings, business vehicles, multifunction printers. Rental contracts are typically made for periods of 1 to 20 years.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2023	December 31, 2022
	Carrying amount	Carrying amount
Land	$ 72,650	$ 75,019
Buildings	19,069	18,243
Transportation equipment (Business vehicles)	2,078	3,179
Research and development equipment	-	829
	$ 93,797	$ 97,270

	Years ended December 31,	
	2023	2022
	Depreciation charge	Depreciation charge
Land	$ 2,369	$ 2,547
Buildings	16,221	16,914
Transportation equipment (Business vehicles)	1,426	1,448
Research and development equipment	332	498
	$ 20,348	$ 21,407

C. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were $17,756 and $3,614, respectively.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	Years ended December 31,	
	2023	2022
Items affecting profit or loss		
Interest expense on lease liabilities	$ 2,001	$ 2,382
Expense on short-term lease contracts	790	631
Expense on leases of low-value assets	327	339
Total	$ 3,118	$ 3,352

E. For the years ended December 31, 2023 and 2022, the Group's total cash outflow for leases were $24,412 and $24,587, respectively.

(10) Leasing arrangements – lessor

A. The Group leases various assets including buildings. Rental contracts are typically made for periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes, or a certain amount of guarantee deposits is required.

B. For the years ended December 31, 2023 and 2022, the Group recognized rent income in the amounts of $10,528 and $10,514, respectively, based on the operating lease agreement, which does not include variable lease payments.

C. The maturity analysis of the lease payments under the operating leases is as follows:

	December 31, 2023	December 31, 2022
Not later than one year	$ 10,169	$ 10,182
Later than one year but not later than five years	4,035	13,988
Total	$ 14,204	$ 24,170

(11) Investment property

	December 31, 2023	December 31, 2022
Buildings and structures		
Cost		
Equity at beginning of year	$ 94,436	$ 111,989
Reclassifications for the year	-	(17,553)
Equity at end of year	94,436	94,436
Accumulated depreciation		
Equity at beginning of year	40,908	46,555
Additions for the year	2,123	1,758
Reclassifications for the year	-	(7,405)
Equity at end of year	43,031	40,908
Closing net book amount as at December 31	$ 51,405	$ 53,528

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	Years ended December 31,	
	2023	2022
Rental income from investment property	$ 10,528	$ 10,514
Direct operating expenses arising from the investment property that generated rental income during the period	$ 2,123	$ 1,758

B. The fair value of the investment property held by the Group as at December 31, 2023 and 2022 was $92,672 and $92,956, respectively, which was valued by the Group using the income approach which is categorized within Level 3 in the fair value hierarchy. Key assumptions are as follows:

	December 31, 2023	December 31, 2022
Discount rate	2.345%	2.22%

(12) Other non-current assets

	December 31, 2023	December 31, 2022
Prepayments for business facilities	$ 52,485	$ 3,420
Guarantee deposits paid	7,399	5,667
Other assets	1,731	2,288
	$ 61,615	$ 11,375

(13) Short-term borrowings

December 31, 2023: None.

Type of borrowings	December 31, 2022	Interest rate range	Collateral
Bank secured borrowings	$ 180,000	1.58%～1.7%	None

(14) Bonds payable

	December 31, 2023	December 31, 2022
Bonds payable	$ -	$ 6,900
Less: Discount on bonds payable	-	(71)
	-	6,829
Less: Current portion	-	(6,829)
	$ -	$ -

A. The terms of the second domestic unsecured convertible bonds issued by the Company are as follows:

(a) The Company issued $400,000, 0% second domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 5 years from the issue date (September 6, 2018 ~ September 6, 2023) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on September 6, 2018.

(b) The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

(c) The conversion price of convertible bonds was set at NT$26.8 (in dollars) per share. However, the conversion price is adjusted according to the formula set out in the indenture if any of the following events occurs after the issuance of the Company's convertible bonds:

i Increase in outstanding (or private placement) common shares.

ii The ratio of cash dividends paid for common shares to the market price per share exceeds 1.5%.

iii Reissuance (or private placement) of various securities with conversion options or stock options to common shares at a conversion or an exercise price lower than the market price per share.

iv Reduction in ordinary share capital that is not caused by the retirement of treasury shares.

On July 2, 2022 and July 3, 2021, because the ratio of cash dividends paid for common shares to the market price per share exceeded 1.5%, the Company adjusted conversion prices to NT$22.7 (in dollars) and NT$24.1 (in dollars) per share, respectively.

(d) The Company may repurchase all the bonds outstanding in cash at the bonds' face value within 5 trading days after the put effective date of bonds from the date three months after the bonds issue to 40 days before the maturity date if the following events occur: (i) the closing price of the Company's common shares is above the then conversion price by 30% (including 30%) for 30 consecutive trading days, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount.

(e) The Company set the date when the bonds have been issued for 2 years, 3 years and 4 years as the put effective date for the bondholders to early put the bonds back to the Company. The Company should notice the bondholders at 40 days before the put effective date and should redeem the convertible bonds in cash within 5 trading days after the put effective date when accepting the bondholders' requests.

(f) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be sold or re-issued; the conversion options attached to the bonds are also extinguished.

(g) As of December 31, 2023, the bonds totaling $400,000 (face value) had been converted into 15,192,422 shares of common stock.

B. Regarding the issuance of convertible bonds, the equity conversion options amounting to $27,490 were separated from the liability component and were recognized in 'capital surplus—share options' in accordance with IAS 32. The call options and put options embedded in bonds payable were recognized in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were closely related to those of the host contracts. The effective interest rates of the bonds payable after such separation was 1.84%.

(15) Other payables

	December 31, 2023	December 31, 2022
Salaries and bonuses payable	$ 28,559	$ 32,251
Employees' compensation and directors' remuneration payable	-	7,000
Payable on equipment	5,257	5,096
Others	23,370	22,832
	$ 57,186	$ 67,179

(16) Pensions

A. The Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

B. The Company’s mainland China subsidiaries in Shanghai, Jiangxi, and Zhongshan have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. The contribution percentage for the years ended December 31, 2023 and 2022 was 15% ~ 20%. Other than the monthly contributions, the Group has no further obligations.

C. The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2023 and 2022 were $18,931 and $19,631 respectively.

(17) Share-based payment

A. For the years ended December 31, 2023, the Group’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted(share in thousands)	Contract period	Vesting conditions
Cash capital increase reserved for employee preemption	2023.10.25	1,403	NA	Vested immediately

The Board of Directors of the Group during their meeting on August 3, 2023 adopted a resolution to increase the Group’s capital by issuing 10,000 thousand ordinary shares. The Group reserved no more than 15% of the shares for subscription by employees of the Company and its subsidiaries in accordance with Article 267 of the Company Act. The chairman was authorized to contact a specific person to fully subscribe those shares which were gave up subscribing by the employees or undersubscribed at the issuing price.

B. The Group's fair value information of share-based payment transactions is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Fair value per unit
Cash capital increase reserved for employee preemption	2023.10.25	$ 74	$ 52.8	$ 21.2

C. Expenses incurred on share-based payment transactions are shown below:

	Year ended December 31, 2023
Equity-settled	$ 29,744

Year ended December 31, 2022 : None.

(18) Share capital

A. As of December 31, 2023, the Company's authorized capital was $1,100,000, consisting of 110,000 thousand shares of ordinary stock (including 6,000 thousand shares reserved for employee stock options), and the paid-in capital was $986,406 with a par value of NT$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	2023 (in thousands)	2022 (in thousands)
At January 1	88,337	88,273
Convertible bonds converted to ordinary shares	304	64
Cash capital increase	10,000	-
At December 31	98,641	88,337

B. The Board of Directors of the Company during their meeting on August 3, 2023 adopted a resolution to increase the Company's capital by issuing 10,000 thousand ordinary shares with a par value of NT$10 (in dollars) per share, the issuing price was NT$52.8 (in dollars) per share. The capital increase was approved by the competent authority on September 26, 2023 and the effective date of the capital increase was set on November 3, 2023. Proceeds had been fully collected and the registration for the change had been completed.

(19) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus 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 Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2023				
	Share premium	Stock options	Changes in ownership interests in subsidiaries	Gains on disposals of fixed assets and others	Total
At January 1	$ 553,074	$ 474	$ 1,775	$ 258	$ 555,581
Bonds converted by the issuing company	4,326	(474)	-	-	3,852
Cash capital increase	457,744	(29,744)	-	-	428,000
Share-based payments	-	29,744	-	-	29,744
At December 31	$ 1,015,144	$ -	$ 1,775	$ 258	$ 1,017,177

	2022				
	Share premium	Stock options	Changes in ownership interests in subsidiaries	Gains on disposals of fixed assets and others	Total
At January 1	$ 552,146	$ 577	$ 1,775	$ 258	$ 554,756
Bonds converted by the issuing company	928	(103)	-	-	825
At December 31	$ 553,074	$ 474	$ 1,775	$ 258	$ 555,581

(20) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall be appropriated in the following orders:

(a) Pay all taxes;

(b) Cover prior years' losses;

(c) Set aside 10% as legal reserve (unless the legal reserve has reached the total capital);

(d) Set aside or reverse special reserve as required by regulations;

(e) The remainder, if any, along with the accumulated unappropriated earnings, shall be proposed by the Board of Directors and be resolved by the shareholders.

B. The Board of Directors of the Company may, upon resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, distribute dividends, bonus, legal reserve, or capital surplus, in whole or in part, in the form of cash, which shall also be reported at the shareholders' meeting.

C. The Company's dividend policy is set up in accordance with the Company Act and the Company's Articles of Incorporation, and in consideration of factors including the Company's capital and financial structure, operational condition, earnings, and the industry's nature and cycle, etc. Suppose the Company has a surplus in its final annual accounts, and the distributable surplus reaches 2% of the paid-in capital. In that case, the dividend distribution shall not be less than 10% of the distributable surplus. Cash dividends are preferred in the distribution of earnings, but stock dividends can also be distributed on the basis that the distribution ratio of stock dividends is no higher than 50% of total dividends of the year.

D. 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.

E. Legal reserve shall be set aside until its balance reaches the Company's total paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of its paid-in capital, the excess may be transferred to capital or distributed in cash.

F. The Board of Directors on February 24, 2022 and the shareholder's meeting on May 27, 2022 adopted a resolution on the distribution of 2021 earnings, appropriating $15,326 as legal reserve and $38,309 as special reserve, and distributing $141,304 as cash dividends at NT$1.6 (in dollars) per share.

G. The Board of Directors on February 23, 2023 and the shareholder's meeting on May 30, 2023 adopted a resolution on the distribution of 2022 earnings, appropriating $4,702 as legal reserve, reversing special reserve of $2,359, and distributing $44,313 as cash dividends at NT$0.5 (in dollars) per share.

(21) Other equity items

	2023		
	Currency translation	Unrealised gains (losses) on valuation	Total
At January 1	($ 31,436)	($ 136,791)	($ 168,227)
Revaluation – gross	-	(44,177)	(44,177)
Currency translation differences:			
–Group	(13,072)	-	(13,072)
–Tax on Group	2,614	-	2,614
At December 31	($ 41,894)	($ 180,968)	($ 222,862)

	2022		
	Currency translation	Unrealised gains (losses) on valuation	Total
At January 1	($ 39,475)	($ 131,111)	($ 170,586)
Revaluation – gross	-	(5,680)	(5,680)
Currency translation differences:			
–Group	10,049	-	10,049
–Tax on Group	(2,010)	-	(2,010)
At December 31	($ 31,436)	($ 136,791)	($ 168,227)

(22) Operating revenue

	Years ended December 31,	
	2023	2022
Revenue from contracts with customers	$ 1,261,217	$ 1,610,145
Others－lease revenue	10,528	10,514
Total	$ 1,271,745	$ 1,620,659

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

Year ended December 31, 2023	Taiwan	China	America	Asia	Other regions	Total
Revenue from external customer contracts	$ 177,198	$ 66,918	$ 852,685	$ 133,098	$ 31,318	$ 1,261,217

Year ended December 31, 2022	Taiwan	China	America	Asia	Other regions	Total
Revenue from external customer contracts	$ 306,953	$ 164,275	$ 928,604	$ 133,732	$ 76,581	$ 1,610,145

B. Contract assets and liabilities

The Group has recognized the following revenue-related contract assets and liabilities:

	December 31, 2023	December 31, 2022	January 1, 2022
Product sales contracts	$ 2,256	$ 6,089	$ 3,442

C. Revenue recognized that was included in the contract liability balance at the beginning of the period

	Years ended December 31,	
	2023	2022
Product sales contracts	$ 5,727	$ 2,793

(23) Interest income

	Years ended December 31, 2023	Years ended December 31, 2022
Interest income from bank deposits	$ 5,925	$ 1,839
Interest income from financial assets measured at amortised cost	23	20
	$ 5,948	$ 1,859

(24) Other income

	Years ended December 31, 2023	Years ended December 31, 2022
Dividend income	$ 15,223	$ 1,095
Other income, others	3,186	5,782
	$ 18,409	$ 6,877

(25) Other gains and losses

	Years ended December 31, 2023	Years ended December 31, 2022
Losses on disposals of property, plant and equipment	($ 3,275)	($ 18,414)
Foreign exchange gains	8,716	50,896
Gains (losses) on financial assets and liabilities at fair value through profit or loss	47,600	(74,690)
Impairment loss of investments accounted for using equity method	(3,790)	-
Impairment reversal on non-financial assets	-	19,242
Other gains and losses	20	(1,486)
	$ 49,271	($ 24,452)

(26) Finance costs

	Years ended December 31, 2023	Years ended December 31, 2022
Interest expense	$ 5,440	$ 4,014

(27) Expenses by nature

	Years ended December 31, 2023	Years ended December 31, 2022
Employee benefit expense	$ 369,856	$ 362,796
Depreciation charges	95,241	96,579
Amortisation charges	3,013	570
	$ 468,110	$ 459,945

(28) Employee benefit expense

	Years ended December 31, 2023	2022
Wages and salaries	$ 279,532	$ 301,530
Share-based payments	29,744	-
Director' remuneration	3,790	4,419
Labour and health insurance fees	19,613	20,546
Pension costs	18,931	19,631
Other personnel expenses	18,246	16,670
	$ 369,856	$ 362,796

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year shall be distributed as employees' compensation and directors' remuneration. The ratio shall be 5% ~ 15% for employees' compensation and shall not be higher than 5% for directors' remuneration. If the Company has accumulated deficit, earnings should be reserved to cover losses.

B. For the years ended December 31, 2023 and 2022, employees' compensation was accrued at $0 and $5,600, respectively; directors' remuneration was accrued at $0 and $1,400, respectively. The aforementioned amounts were recognized in salary expenses.

Employees' compensation of $5,600 and directors' remuneration of $1,400 of 2022 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2022 financial statements.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(29) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31, 2023	2022
Current tax:		
Current tax on profits for the year	$ 4,419	$ 46,076
Prior year income tax underestimation (over)	2,369	(7,233)
Total current tax	6,788	38,843
Deferred tax:		
Origination and reversal of temporary differences	(13,144)	(13,188)
Total deferred tax	(13,144)	(13,188)
Tax expense (benefit) income	($ 6,356)	$ 25,655

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31, 2023	2022
Currency translation differences	($ 2,614)	$ 2,010

(c) The income tax charged/(credited) to equity during the period is as follows: None.

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31, 2023	2022
Tax calculated based on profit before tax and statutory tax rate (Note)	$ 7,355	$ 29,631
Expenses disallowed by tax regulation	(11,557)	8,549
Temporary differences not recognised as deferred tax assets	-	5,792
Effect from investment tax credits	(4,963)	(4,630)
Change in assessment of realisation of deferred tax assets	440	(6,454)
Prior year income tax underestimation (over)	2,369	(7,233)
Income tax expense	($ 6,356)	$ 25,655

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows:

	2023			
	January 1	Recognised in profit or loss	Translation differences	December 31
—Deferred tax assets:				
Temporary differences:				
Allowance for inventories impairment losses	$ 3,457	($ 466)	$ -	$ 2,991
Convertible corporate bonds	1,198	(1,198)	-	-
Unrealized impairment loss	121	759	-	880
Other	4,435	(1,945)	-	2,490
Investment tax credits	-	4,963	-	4,963
Loss carryforward	-	13,888	-	13,888
Subtotal	9,211	16,001	-	25,212
—Deferred tax liabilities:				
Temporary differences:				
Other	(3,683)	(2,857)	2,614	(3,926)
Subtotal	($ 3,683)	($ 2,857)	$ 2,614	($ 3,926)
Total	$ 5,528	$ 13,144	$ 2,614	$ 21,286

	2022			
	January 1	Recognised in profit or loss	Translation differences	December 31
—Deferred 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	6,478	2,733	-	9,211
—Deferred 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

D. Details of the amount the Company is entitled as investment tax credit and unrecognised deferred tax assets are as follows:

	December 31, 2023		
Qualifying items	Unused tax credits	Unrecognised deferred tax assets	Expiry year
Research and development	$ 3,136	$ -	2025
Machinery and equipment	1,827	-	2025
Total	$ 4,963	$ -	

December 31, 2022: None.

E. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2023				
Year incurred	Amount filed/ assessed	Unused amount	deferred tax assets	Expiry year
2023	$ 69,440	$ 69,440	$ -	2033

December 31, 2022: None.

F. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(30) Earnings per share

	Year ended December 31, 2023		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 12,058	90,103	$ 0.13
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	12,058	90,103	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	34	
Convertible bonds	34	304	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 12,092	90,441	$ 0.13

	Year ended December 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 47,021	88,319	$ 0.53
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	47,021	88,319	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	323	
Convertible bonds	62	350	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 47,083	88,992	$ 0.53

(31) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Years ended December 31,	
	2023	2022
Purchase of property, plant and equipment	$ 55,623	$ 21,592
Add: Opening balance of payable on equipment	5,096	554
Less: Ending balance of payable on equipment	(5,257)	(5,096)
Cash paid during the year	$ 55,462	$ 17,050

(32) Changes in liabilities from financing activities

	2023			
	Short-term borrowings	Bonds payable	Lease liabilities	Liabilities from financing activities-gross
At January 1	$ 180,000	$ 6,829	$ 99,827	$ 286,656
Changes in cash flow from financing activities	(180,000)	-	(21,294)	(201,294)
Interest payments	-	-	(2,001)	(2,001)
Amortisation charges on interest expenses	-	62	2,001	2,063
Changes in other non-cash items	-	(6,891)	17,756	10,865
Impact of changes in foreign exchange rate	-	-	(389)	(389)
At December 31	$ -	$ -	$ 95,900	$ 95,900

	2022			
	Short-term borrowings	Bonds payable	Lease liabilities	Liabilities from financing activities-gross
At January 1	$ 20,000	$ 8,144	$ 117,044	$ 145,188
Changes in cash flow from financing activities	160,000	-	(21,235)	138,765
Interest payments	-	-	(2,382)	(2,382)
Amortisation charges on interest expenses	-	148	2,382	2,530
Changes in other non-cash items	-	(1,463)	3,613	2,150
Impact of changes in foreign exchange rate	-	-	405	405
At December 31	$ 180,000	$ 6,829	$ 99,827	$ 286,656

7. Related Party Transactions

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
BKS TEC Corp.	Associate

(2) Significant related party transactions

A. Operating revenue:

	Years ended December 31,	
	2023	2022
Sales of goods:		
BKS TEC Corp.	$ 3,858	$ 3,983

B. Purchases:

	Years ended December 31,	
	2023	2022
Purchases of goods:		
BKS TEC Corp.	$ 1,656	$ -

Goods are purchased based on the price lists in force and terms that would be available to third parties.

C. Receivables from related parties:

	December 31, 2023	December 31, 2022
Accounts receivable:		
BKS TEC Corp.	$ 1,391	$ 789
Other receivables:		
BKS TEC Corp.	$ 1,856	$ -
Lease payments receivable:		
BKS TEC Corp.	$ 1,731	$ -

The receivables from related parties arise mainly from sale and goods. The receivables are unsecured in nature and bear no interest.

The Group leased assets to BKS TEC Corp. under finance lease, and on December 31, 2023, the Group accounted its lease payments receivable as other receivables and other non-current assets in the amounts of $1,380 and $1,731, respectively.

D. Payables to related parties:

	December 31, 2023	December 31, 2022
Other payables:		
BKS TEC Corp.	$ -	$ 14

The payables to related parties arise mainly from purchase transactions. The payables bear no interest.

(3) Key management compensation

	Years ended December 31,	
	2023	2022
Short-term employee benefits	$ 16,565	$ 21,859
Post-employment benefits	544	539
Share-based payments	8,670	-
	$ 25,779	$ 22,398

8. Pledged Assets

The Group's assets pledged as collateral are as follows:

Pledged asset	Book value December 31, 2023	Book value December 31, 2022	Purpose
Time deposits (Note)	$ 2,939	$ 2,939	Land lease deposits

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

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

None.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

The Board of Directors of the Company during their meeting on February 22, 2024 resolved to distribute cash dividends from capital surplus amounting to $49,320 at NT$0.5 (in dollars) per share. The expected date of distribution is March 29, 2024.

12. Others

(1) Capital management

The Group manages its capital to ensure that the Group will be able to stay in operation while maximizing the return to stakeholders. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of the Company's net debt (being borrowings offset by cash) and equity (comprising share capital, capital surplus, retained earnings and other equity).

(2) Financial instruments

A. Financial instruments by category

	December 31, 2023	December 31, 2022
Financial assets		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 210,400	$ 162,800
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	148,087	192,265
Financial assets at amortised cost		
Cash and cash equivalents	913,040	561,256
Notes receivable	641	92
Accounts receivable (including related parties)	278,586	331,400
Other receivables (including related parties)	5,518	11,189
Financial assets at amortised cost	2,939	2,939
Guarantee deposits paid	7,399	5,667
	$ 1,566,610	$ 1,267,608

	December 31, 2023		December 31, 2022	
Financial liabilities				
Financial liabilities at amortised cost				
Short-term borrowings	$	-	$	180,000
Notes payable		1,873		1,546
Accounts payable (including related parties)		113,892		131,190
Other payables (including related parties)		57,186		67,179
Bonds payable		-		6,829
Guarantee deposits received		1,714		1,714
	$	174,665	$	388,458
Lease liability (including current portion)	$	95,900	$	99,827

B. Financial risk management policies

The Group's major financial instruments include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, net notes and accounts receivable, notes and accounts payable, etc. The Group's objectives when managing financial risks are to manage foreign exchange risk, price risk, interest rate risk, credit risk and liquidity risk related to its operating activities. In order to decrease the relevant financial risk, the Group focuses on identifying, evaluating and hedging market uncertainties to minimise potential adverse effects from markets on the Company's financial performance.

The Group's major financial activities are reviewed by the Board of Directors in accordance with relevant regulations and internal controls. During the implementation of financial plans, the Group must comply with the financial procedures relating to overall financial risk management and segregation of duties.

C. Significant financial risks and degrees of financial risks

(a) Market risk

The Group's operating activities exposed it primarily to financial risks, which are foreign exchange risk, interest rate risk and price risk. There have been no changes to the Group's exposure to market risks or the manner in which these risks are managed and measured.

Exchange rate risk

i. The Group's cash inflows and outflows are partially denominated in foreign currencies and therefore have a natural hedging effect. The Group manages exchange rate risk for hedging purposes, not for profit-making.

ii. The Group's strategy to manage exchange rate risk is to regularly review the net position of assets and liabilities in each currency and manage the risk accordingly. Currently, trading foreign currency deposits is the main tool to hedge exchange rate risk.

iii. As the net investments in foreign operations are considered to be strategic investments, the Company does not hedge the investments.

iv. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; other certain subsidiaries' functional currency: RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2023		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 11,447	30.69	$ 351,308
USD:RMB	9,507	7.09	291,770
Non-monetary items			
USD:NTD	$ 13,309	30.69	$ 408,461
Financial liabilities			
Monetary items			
USD:NTD	$ 9,602	30.69	$ 294,685
USD:RMB	2,801	7.09	85,963
Non-monetary items: None.			

	December 31, 2022		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 11,257	30.71	$ 345,702
USD:RMB	12,394	6.95	380,620
Non-monetary items			
USD:NTD	$ 16,084	30.71	$ 493,940
Financial liabilities			
Monetary items			
USD:NTD	$ 8,192	30.71	$ 251,576
USD:RMB	1,992	6.95	61,174
Non-monetary items: None.			

v. The total exchange (loss) gain, including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2023 and 2022 amounted to $8,716 and $50,896, respectively.

vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Year ended December 31, 2023		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	1%	$ 3,513	$ -
USD:RMB	1%	2,918	-
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 2,947)	$ -
USD:RMB	1%	(860)	-

	Year ended December 31, 2022		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	1%	$ 3,457	$ -
USD:RMB	1%	3,806	-
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 2,516)	$ -
USD:RMB	1%	(612)	-

Price risk

i. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as financial asset measured at fair value through profit or loss and measured at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

ii. The Group's investments in equity securities comprise shares issued by the domestic and foreign companies. The prices of financial instruments would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased by $1,900 and $1,900, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by $3,291 and $3,291, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost.

ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with good credit rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.

iii. The Group adopts the assumptions under IFRS 9 that if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iv. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.

v. The Group classifies customers' accounts receivable in accordance with credit rating of customer. The Group applies the modified approach using a provision matrix to estimate the expected credit loss.

vi. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.

vii. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties；

(ii) The disappearance of an active market for that financial asset because of financial difficulties；

(iii) Default or delinquency in interest or principal repayments；

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

viii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of notes receivable and accounts receivable. On December 31, 2023 and 2022, the provision matrix is as follows:

	Not past due	Up to 30 days	31~90 days	91~180 days	Over 180 days	Total
At December 31, 2023						
Expected loss rate	0.03%	0.03%	0.03%	0.03%-46.31%	0.03%-100%	
Total book value	$ 256,989	$ 11,940	$ 9,960	$ 150	$ 267	$ 279,306
Loss allowance	($ 73)	($ 4)	($ 2)	$ -	$ -	($ 79)
At December 31, 2022						
Expected loss rate	0%	5%	5%	20%	50%-100%	
Total book value	$ 287,909	$ 39,308	$ 2,535	$ 3,544	$ -	$ 333,296
Loss allowance	$ -	($ 1,060)	($ 127)	($ 709)	$ -	($ 1,896)

ix. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable and other receivables are as follows:

	2023	
	Accounts receivable	Other receivable
At January 1	$ 1,896	$ -
Provision for impairment	-	-
Write-offs during the period	(75)	-
Reversal of impairment loss	(1,742)	-
At December 31	$ 79	$ -

	2022	
	Accounts receivable	Other receivable
At January 1	$ 4,037	$ 12,915
Reclassifications	-	(12,915)
Provision for impairment	65	-
Write-offs during the period	(702)	-
Reversal of allowance loss due to recovery	(1,541)	-
Effect of exchange rate changes	37	-
At December 31	$ 1,896	$ -

x. Financial assets at amortised cost held by the Group are the restricted bank deposits. The credit ratings of the counterparty banks are all with high credit quality, so it expects that the risk of incurring credit losses is remote.

(c) Liquidity risk

i. The Group manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

ii. The group has the following undrawn borrowing facilities:

	December 31, 2023	December 31, 2022
Floating rate:		
Expiring within one year	$ 508,183	$ 417,485

iii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

At December 31, 2023	Immediate payment or less than 1 month	Between 1 and 3 month(s)	Between 3 months and 1 year	Between 1 and 5 year(s)	Over 5 years	Total
Non-derivative financial liabilities						
Notes payable	$ 28	$ -	$ 1,845	$ -	$ -	$ 1,873
Accounts payable	59,858	48,441	5,593	-	-	113,892
Other payables	35,585	14,468	7,133	-	-	57,186
Lease liability	2,688	5,375	16,268	12,888	75,103	112,322
Derivative financial liabilities:	None.					

At December 31, 2022	Immediate payment or less than 1 month	Between 1 and 3 month(s)	Between 3 months and 1 year	Between 1 and 5 year(s)	Over 5 years	Total
Non-derivative financial liabilities						
Short-term borrowings	$ 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
Bonds payable	-	-	6,900	-	-	6,900
Derivative financial liabilities:	None.					

(3) Fair value information

A. 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 active markets 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 transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group’s investment in listed stocks, beneficiary certificates, on-the-run Taiwan central government bonds, corporate bonds and derivative instruments with quoted market prices is included in Level 1.

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 the Group’s investment in off-the-run government bonds, corporate bonds, bank debentures, convertible bonds and most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group’s investment in certain derivative instruments, equity investment without active market and investment property is included in Level 3.

B. Fair value information of the Group’s investment property at cost is provided in Note 6(11).

C. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, notes payable, accounts payable, other payables, lease liabilities (current and non-current), bonds payable and guarantee deposits received are approximate to their fair values.

D. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2023 and 2022 are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

December 31, 2023	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Listed stocks	$ 210,400	$ -	$ -	$ 210,400
Financial assets at fair value through other comprehensive income				
Emerging stocks	30,658	-	-	30,658
Unlisted stocks	-	-	117,429	117,429
	$ 241,058	$ -	$ 117,429	$ 358,487
Liabilities				
Recurring fair value measurements: None.				

December 31, 2022	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Listed stocks	$ 162,800	$ -	$ -	$ 162,800
Financial assets at fair value through other comprehensive income				
Emerging stocks	36,270	-	-	36,270
Unlisted stocks	-	-	155,995	155,995
	$ 199,070	$ -	$ 155,995	$ 355,065
Liabilities				
Recurring fair value measurements: None.				

(b) The methods and assumptions the Group used to measure fair value are as follows:

i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed stock and Emerging stocks
Market quoted price	Closing price

ii. When assessing non-standard and low-complexity financial instruments, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

E. For the years ended December 31, 2023 and 2022, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2023 and 2022:

	2023		2022	
	Financial instruments	Derivative instruments	Financial instruments	Derivative instruments
At January 1	$ 155,995	$ -	$ 69,945	$ 32
Gains and losses recognised in profit or loss				
Recorded as non-operating income and expenses	-	-	-	(30)
Gain or loss recognized in other comprehensive income	(38,566)	-	16,048	-
Current Purchase	-	-	70,002	-
Others	-	-	-	(2)
At December 31	$ 117,429	$ -	$ 155,995	$ -
Movement of unrealised gain or loss in profit or loss of assets and liabilities held as at December 31, 2023 (Note)	$ -	$ -	$ -	($ 30)

Note: Recorded as non-operating income and expense.

G. For the years ended December 31, 2023 and 2022, there was no transfer into or out from Level 3.

H. Treasury segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value. Investment property is valuated regularly by the Group based on the valuation methods and assumptions announced by the Financial Supervisory Commission, Securities and Futures Bureau.

I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 29,616	Net asset value	Not applicable	Not applicable	Not applicable
Unlisted shares	124	Market comparable companies	Discount for lack of marketability	20.50%	The higher the discount for lack of marketability, the lower the fair value
Unlisted shares	39,988	Income approach	Discount for lack of marketability and discount for lack of control	15.70%	The higher the discount for lack of marketability, the lower the fair value; the higher the discount for lack of control, the lower the fair value
Unlisted shares	47,701	Income approach	Discount for lack of marketability and discount for lack of control	32.28%	The higher the discount for lack of marketability, the lower the fair value; the higher the discount for lack of control, the lower the fair value

	Fair value at December 31,		Valuation technique	Significant unobservable input	Range (weighted	Relationship of inputs to fair
Non-derivative equity instrument:						
Unlisted shares	$	30,256	Net asset value	Not applicable	Not applicable	Not applicable
Unlisted shares		763	Market comparable companies	Discount for lack of marketability	20.60%	The higher the discount for lack of marketability, the lower the fair value
Unlisted shares		21,115	Income approach	Discount for lack of marketability and discount for lack of control	15.80%	The higher the discount for lack of marketability, the lower the fair value; the higher the discount for lack of control, the lower the fair value
Unlisted shares		103,861	Income approach	Discount for lack of marketability and discount for lack of control	31.84%	The higher the discount for lack of marketability, the lower the fair value; the higher the discount for lack of control, the lower the fair value

J. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. Based on the assessment, there is no material impact on profit or loss or other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed.

13. Supplementary Disclosures

The transactions with subsidiaries were eliminated when preparing consolidated financial statements. The following disclosure information is for reference only.

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) <u>Information on investees</u>

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

(3) <u>Information on investments in Mainland China</u>

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 6.

(4) <u>Major shareholders information</u>

Major shareholders information: Please refer to table 9.

14. <u>Segment Information</u>

(1) <u>General information</u>

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of products. Each product has similar economic characteristics, and the products are sold through a centralised sales method, and thus the Group summarises that it has only one reportable operating segment.

(2) <u>Measurement of segment information</u>

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of products. Each product has similar economic characteristics, and the products are sold through a centralised sales method, and thus the Group summarises that it has only one reportable operating segment. In addition, the segment information provided by the Company to the chief operating decision-maker for review is measured in a manner consistent with that in the consolidated financial statements.

	Years ended December 31,	
	2023	2022
Revenue from external customers	$ 1,271,745	$ 1,620,659
Segment income	$ 12,058	$ 47,021
	December 31, 2023	December 31, 2022
Segment assets (Note)	$ 2,025,064	$ 1,805,047

Note：Of which non-current assets do not include deferred tax assets and financial instruments.

(3) Information on products and services

The details of the income balance are as follows:

	Years ended December 31,	
	2023	2022
Sales revenue	$ 1,261,217	$ 1,610,145
Royalty income	10,528	10,514
	$ 1,271,745	$ 1,620,659

(4) Geographical information

Geographical information for the years ended December 31, 2023 and 2022 is as follows:

	Year ended December 31, 2023		Year ended December 31, 2022	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 187,726	$ 499,505	$ 317,467	$ 467,457
Mainland China	66,918	70,828	164,275	74,925
America	852,685	-	928,604	-
Others	164,416	-	210,313	-
Total	$ 1,271,745	$ 570,333	$ 1,620,659	$ 542,382

(5) Major customer information

Major customer information of the Group for the years ended December 31, 2023 and 2022 is as follows:

	Year ended December 31, 2023		Year ended December 31, 2022	
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue
Customer C	$ 757,372	60%	$ 793,990	49%

FOCI FIBER OPTIC COMMUNICATIONS, INC. AND SUBSIDIARIES

Loans to others

Year ended December 31, 2023

Table 1

Expressed in thousands of NTD; thousands of USD; thousands of CNY

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2023 (Note2)	Balance at December 31, 2023	Actual amount drawn down	Interest rate	Nature of loan (Note 3)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for creditor counterparty doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
1	Jiangxi FOCI Fiber Optic Communication, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	Other receivables due from related parties	Yes	$ 95,216 (CNY 22,000)	$ 95,216 (CNY 22,000)	$ 95,216 (CNY 22,000)	3.45	Short-term financing	$ -	Opertations	-	-	-	$ 102,763 (Note 4)	$ 102,763 (Note 4)	

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Fill in the maximum outstanding balance of loans to others during the year ended December 31, 2023.

Note 3: The column of 'Nature of loan' shall fill in 'Business transaction or 'Short-term financing'.

Note 4: For loans granted by Jiangxi FOCI Fiber Optic Communication, Inc. to companies whoes voting rights are 100% directly or indirectly owned by the parent company, ceiling on total loans granted is the net assests of Jiangxi FOCI Fiber Optic Communication, Inc.

FOCI FIBER OPTIC COMMUNICATIONS, INC. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

Year ended December 31, 2023

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/guarantor	Party being endorsed/ guaranteed: Company name	Party being endorsed/ guaranteed: Relationship with the endorser/guarantor (Note 2)	Limit on endorsements/guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2023	Outstanding endorsement/ guarantee amount at December 31, 2023	Actual amount drawn down	Amount of endorsements/guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/guarantor company (%)	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	Footnote
0	The Company	Shanghai FOCI Fiber Optic Communications, Inc.	2	$ 641,474	$ 61,380	$ -	$ -	$ -	2.87%	$ 1,069,124	Y	N	Y	
0	The Company	Zhongshan FOCI Fiber Optic Communications, Inc.	2	641,474	30,690	-	-	-	1.44%	1,069,124	Y	N	Y	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The Company is ‘0’.

(2)The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

(5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.

(6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: Ceiling on total amount of endorsements/guarantees provided by the Company shall not exceed 50% of its current net assets. Limit on endorsements/guarantees provided for a single party shall not exceed 20% of its current net assets, and for a single foreign affiliated company shall not exceed 30% of net assets.

If the endorsements/guarantees are provided because of having business relationship, the amount of endorsements/guarantees shall not exceed the total transaction amount with the Company in the latest year.

FOCI FIBER OPTIC COMMUNICATIONS, INC. AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2023

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

				As of December 31, 2023				
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares/units (thousands of shares/units)	Book value	Ownership (%)	Fair value	Footnote
FOCI Fiber Optic Communications, Inc.	APEX OPTECH CORPORATION	None	Financial assets at fair value through other comprehensive income	99	$ 1,576	3.95%	$ 1,576	
FOCI Fiber Optic Communications, Inc.	APEX BVI	None	Financial assets at fair value through other comprehensive income	155	-	1.83%	-	
FOCI Fiber Optic Communications, Inc.	DARJUN VENTURE CORPORATION	None	Financial assets at fair value through other comprehensive income	2,738	28,040	5.78%	28,040	
FOCI Fiber Optic Communications, Inc.	GINGY Technology Inc.	None	Financial assets at fair value through other comprehensive income	62	124	0.86%	124	
FOCI Fiber Optic Communications, Inc.	Xsense Technology Corporation, INC.	None	Financial assets at fair value through other comprehensive income	2,263	39,988	9.84%	39,988	
FOCI Fiber Optic Communications, Inc.	Aptos Technology Inc.	None	Financial assets at fair value through other comprehensive income	9,000	47,701	14.91%	47,701	
FOCI Fiber Optic Communications, Inc.	ADVAGENE BIOPHARMA CO., LTD.	None	Financial assets at fair value through other comprehensive income	1,207	30,658	2.26%	30,658	
FOCI Fiber Optic Communications, Inc.	United Microelectronics Corporation	None	Financial assets at fair value through profit or loss	4,000	210,400	0.03%	210,400	

FOCI FIBER OPTIC COMMUNICATIONS, INC. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2023

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance at December 31, 2023	Percentage of total notes/accounts receivable (payable)	Footnote
The Company	Shanghai FOCI Fiber Optic Communications, Inc.	Subsidiary	Purchase	$ 356,617	30.65%	60 days	Note 1	Note 1	($ 108,138)	33.96%	
The Company	Zhongshan FOCI Fiber Optic Communications, Inc.	Subsidiary	Purchase	408,904	35.15%	60 days	Note 1	Note 1	(164,614)	51.70%	
The Company	Zhongshan FOCI Fiber Optic Communications, Inc.	Subsidiary	Sales	183,801	14.45%	60 days	Note 2	Note 2	53,845	15.59%	

Note 1: The goods purchased by the Company from related parties have not been purchased from other suppliers, and thus there is no market price for comparison. Transaction prices were determined by referring to market prices and based mutual agreement. Payment terms were available to third parties, but the payments can also be collected according to the capital needs of subsidiaries.

Note 2: The Products sold by the Company to related parties have not been sold to other custimers, and thus there is no selling price for comparison.
The payment terms for related parties are 60 days, and the third parties are 30-120 days.

FOCI FIBER OPTIC COMMUNICATIONS, INC. AND SUBSIDIARIES

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2023

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2023 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for creditor counterparty doubtful accounts
					Amount	Action taken		
Shanghai FOCI Fiber Optic Communications, Inc.	FOCI Fiber Optic Communications, Inc.	Parent company of the entity	$ 108,138	2.86	$ -	-	$ 4,699	$ -
Zhongshan FOCI Fiber Optic Communications, Inc.	FOCI Fiber Optic Communications, Inc.	Parent company of the entity	$ 164,614	3.28	-	-	34,203	-

FOCI FIBER OPTIC COMMUNICATIONS, INC. AND SUBSIDIARIES
Significant inter-company transactions during the reporting periods
Year ended December 31, 2023

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)
0	FOCI Fiber Optic Communications, Inc.	Shanghai FOCI Fiber Optic Communications, Inc.	1	Purchase	$ 356,617	Note 5	28%
0	FOCI Fiber Optic Communications, Inc.	Shanghai FOCI Fiber Optic Communications, Inc.	1	Sales	84,894	Note 5	7%
0	FOCI Fiber Optic Communications, Inc.	Shanghai FOCI Fiber Optic Communications, Inc.	1	Accounts payable	108,138	Note 5	4%
0	FOCI Fiber Optic Communications, Inc.	Shanghai FOCI Fiber Optic Communications, Inc.	1	Accounts receivable	26,071	Note 5	1%
0	FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	1	Purchase	408,904	Note 5	32%
0	FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	1	Sales	183,801	Note 5	14%
0	FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	1	Accounts payable	164,614	Note 5	7%
0	FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	1	Accounts receivable	53,845	Note 5	2%
1	Jiangxi FOCI Fiber Optic Communication, Inc.	Shanghai FOCI Fiber Optic Communications, Inc.	3	Accounts receivable	4,508	Note 5	0%
1	Jiangxi FOCI Fiber Optic Communication, Inc.	Shanghai FOCI Fiber Optic Communications, Inc.	3	Other receivables	95,216	Note 6	4%
2	Shanghai FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	3	Purchase	17,587	Note 5	1%
2	Shanghai FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	3	Sales revenue	31,091	Note 5	2%
2	Shanghai FOCI Fiber Optic Communications, Inc.	Zhongshan FOCI Fiber Optic Communications, Inc.	3	Accounts receivable	6,418	Note 5	0%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1) Parent company is ‘0’.
(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):
(1) Parent company to subsidiary.
(2) Subsidiary to parent company.
(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

Note 5: The price of related party transactions was based on the mutual agreement, the collecting and payment terms were 60~90 days after the date of sales or purchase.

Note 6: It refers to loans between subsidiaries.

FOCI FIBER OPTIC COMMUNICATIONS, INC. AND SUBSIDIARIES

Information on investees

Year ended December 31, 2023

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

				Initial investment amount		Shares held as at December 31, 2023					
Investor	Investee	Location	Main business activities	Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares (shares)	Ownership (%)	Book value	Net income of investee as of December 31, 2023	Investment income(loss) recognised by the Company for the year ended December 31, 2023	Footnote
FOCI Fiber Optic Communications, Inc.	FIOPTEC Inc.	Cayman Islands	Investment business	$ 389,004	$ 370,421	12,200,000	100%	$ 408,461	$ 11,588	$ 11,588	Note 1
FOCI Fiber Optic Communications, Inc.	BKS TEC Corp.	Taiwan	Optoelectronic industry	21,420	21,420	6,000,000	11.07%	6,644	(38,623)	(4,240)	

Note 1: On November 3, 2022, the Board of Directors of FIOPTEC Inc. approved the capital reduction and returned US$2,850 thousand, approximately NT$86,526 thousand. The returned proceeds were actually remitted back on January 12, 2023.

FOCI FIBER OPTIC COMMUNICATIONS, INC. AND SUBSIDIARIES

Information on investments in Mainland China

Year ended December 31, 2023

Table 8

Expressed in thousands of NTD; thousands of USD; thousands of CNY

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2023 - Remitted to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Net income of investee as of December 31, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2023 (Note 3)	Book value of investments in Mainland China as of December 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023	Footnote
Shanghai FOCI Fiber Optic Communications, Inc.	Manufacture and processing of passive fiber optical components, patchcords, pigtails, couplers, test equipment, switch, optical controller, fiber optical communication apparatus room, parts and components and related consulting and technology services and sales of the Company's products	USD 7,200	Note 1	$ 325,914 (USD 10,050)	$ -	$ 86,526	$ 239,388 (USD 7,200)	$ 11,670	100%	$ 11,670	$ 305,698	$ 105,109	
Jiangxi FOCI Fiber Optic Communication, Inc.	Manufacture and processing of passive fiber optical components, patchcords, pigtails, couplers, test equipment, switch, optical controller, fiber optical communication apparatus room, parts and components and related consulting and technology services and sales of the Company's products	USD 5,000	Note 1	149,616 (USD 5,000)	-	-	149,616 (USD 5,000)	(82)	100%	(82)	102,763	-	
Zhongshan FOCI Fiber Optic Communications, Inc.	Manufacture and processing of passive fiber optical components, patchcords, pigtails, couplers, test equipment, switch, optical controller, fiber optical communication apparatus room, parts and components and related consulting and technology services and sales of the Company's products	CNY 20,000	Note 2	-	-	-	-	6,098	100%	6,098	80,356	-	

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
FOCI Fiber Optic Communications, Inc.	$ 389,004	$ 389,004	$ 1,282,949

Note 1: Reinvestments in Mainland China company through FIOPTEC INC.

Note 2: Reinvestment in Mainland China company through Shanghai FOCI Fiber Optic Communications, Inc.

Note 3: The financial statements of Shanghai FOCI Fiber Optic Communications, Inc. and Zhongshan FOCI Fiber Optic Communications, Inc. were reviewed and calculated by the parent company's CPA in the same period.

FOCI FIBER OPTIC COMMUNICATIONS, INC. AND SUBSIDIARIES

Major shareholders information

December 31, 2023

Table 9

Name of major shareholders	Shares	
	Name of shares held	Ownership (%)
Song-fure Lin	5,124,102	5.19%

FOCI Fiber Optic Communications, Inc.

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FOCI Fiber Optic Communications, Inc.

Chairman: Song-fure Lin