

Stock Code : 6426



# APOGEE Optocom Co., Ltd.

## 2023

# ANNUAL REPORT

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.*

Apogee annual report is available at website :

<http://mops.twse.com.tw>

Printed on : May 30. 2024

## 1. Spokesperson and acting spokesperson

### (1) Spokesperson

Name : Law Lee

Title : Chairman& Director of Management Department

Phone : +886-6-505-3700

E-mail : [law@nextapogee.com.tw](mailto:law@nextapogee.com.tw)

### (2)Deputy Spokesperson

Name : Rick Wei

Title : Executive Vice Presiden

## 2. Adress and phone number of headquarters and factories

Headquarters : 4th Floor, No. 7, Nanke 3rd Road, Xinshi District, Tainan City

Phone : +886-06-5053700

## 3. Stock transfer service

Name : Yuanfu Securities Stock Agency Department

Adress : B1., No. 35, Lane 11, Guangfu North Road, Songshan District, Taipei City

Phone : +886-2-2768-6668

Website : <http://www.masterlink.com.tw>

## 4. Certifying CPA of last-year financial statements

CPA Firm : Ernst&Young, Taiwan

CPA : Huang, shih-Chieh 、 Hong, Guo-Sen

## 5. Overseas listing : None

## 6. Corporate website : <http://www.nextapogee.com.tw/en/index.php>

# Contents

I. Letter to Shareholders .....	1
II. Company Profile .....	5
2.1 Date of Establishment .....	5
2.2 Company History.....	5
III. Corporate Governance Report.....	6
3.1 Organization.....	6
3.2 Information on directors and senior managers .....	7
3.3 Implementation of Corporate Governance .....	18
3.4 Pursuit of corporate governance.....	
3.5 Replacement of CPA .....	42
3.6 Information on the chairman, general manager, and manager responsible for the Company's financial or accounting operations, who have worked at the firm of a certified public accountant or its affiliated companies in the most recent year. ....	42
3.7 Transfer of equity and changes in equity pledge of directors, supervisors, managers and shareholders with a shareholding ratio of more than 10% in the most recent year and as of the date of publication of the annual report .....	43
3.8 Shareholding ratio of the top ten shareholders, information on their Relationship with each other, spouse, or relatives within the second degree.....	44
3.9 The number of shares held by the Company, its directors, managers, and enterprises directly or indirectly controlled by the Company in the same reinvested enterprise and combined to calculate the comprehensive shareholding ratio. ....	44
IV. Capital Overview.....	45
4.1 Capital and Shares .....	45
4.2 Implementation status of corporate bonds .....	49
4.3 Implementation status of special stocks.....	49
4.4 Implementation status of overseas depository receipts.....	49
4.5 Implementation status of employee stock options.....	49
4.6 Implementation status of restrictions on the handling of new shares with employee rights	49
4.7 Implementation status of handling mergers and acquisitions or transfer of shares of other companies to issue new shares.....	49
4.8 Implementation status of financial plans .....	49
V. Operational Highlights.....	50
5.1 Business Activities.....	50
5.2 Market and Sales Overview .....	58
5.3 Information of employees for the last two years and as of the publication date of the annual report.....	66
5.4 Environmental Protection Expenditure.....	66
5.5 Labor Relationships .....	66
5.6 Information Security Management .....	66
5.7 Major contracts .....	68

VI. Financial Information .....	60
6.1 Condensed balance sheet and comprehensive income statement for the last five years .....	69
6.2 Five-Year Financial Analysis .....	72
6.3 Audit Committee Report in the most recent year .....	76
6.4 The annual financial reports including the CPA's audit report, the balance sheet of the two-year comparison, the comprehensive income statement, the equity change statement, cash flow statement and the notes or appendix in the most recent year. ....	77
6.5 The Company's individual financial report that has been audited by auditors in the most recent year (but it excluded important accounting items list) .....	77
6.6 Financial difficulties encountered by the Company and its affiliates as well as impact on financial status in the most recent year and as of the date of publication .....	77
VII. Review and analysis of financial status, financial performance and risk issues .....	78
7.1 Financial Status .....	78
7.2 Financial Performance .....	78
7.3 Cash Flow .....	79
7.4 The impact of significant capital expenditures on financial operations in the most recent year .....	80
7.5 Investment policy in the most recent year, Main causes of profits or losses, Improvement plans and investment plans for the coming year.....	80
7.6 Risk Analysis .....	80
7.7 Other important matters .....	83
VIII. Special Disclosure .....	84
8.1 Information on Affiliated Companies .....	84
8.2 Private placements in the most recent year and as of the date of publication of the annual report.....	85
8.3 Subsidiaries held or disposed of the Company's shares as of the date of publication of the annual report in the most recent year.....	85
8.4 Other necessary supplementary information .....	85
IX. Any event with significant impact on shareholders' equity or security price in the most recent year and as of the date of publication of the annual report: None.....	85

## I. Letter to Shareholders

Dear Shareholders,

I would like to thank all shareholders for your full support to the Company in the past year. On behalf of the Company, I would like to express my deepest respect and gratitude to all shareholders. APOGEE OPTOCOM will uphold the consistent philosophy, provide the best quality and service to customers, create a win-win situation with customers, create better profit sharing to all employees and investors, and achieve the goal of sustainable business operation. The Company's 2023 annual business report and a summary of future business plans are hereby reported as follows.

### 1.2023 operating results

#### (1)2023 business plan implementation results

Unit: NT\$1,000

Item \ Year	2023 (Consolidated)	2022 (Consolidated)	Increase (Decrease) Ratio (%)
Net Operating Income	362,789	623,993	(41.86)
Operating gross profit	36,712	256,266	(85.67)
Operating profit	(147,435)	73,002	Turn profit into loss
Net profit pre-tax	(136,234)	111,759	Turn profit into loss
Net Profit	(103,355)	89,570	Turn profit into loss
Total profit (loss)	(106,280)	89,047	Turn profit into loss
Earnings per share (NT\$)	(2.68)	2.33	Turn profit into loss

Net revenue for 2023 was NT\$ 3.63 million, a decrease of 41.86% from 2022, and net loss was NT\$ 1.03 million.

In 2023, Global 5G infrastructure progress is not as good as expected, final after-tax loss per share was 2.68.

(2) Budgetary Implementation: No financial projections were publicly announced for the year 2023, and the overall operations were carried out in accordance with the Company's internal business objectives.

(3) Analysis of financial income and expenditure and profitability:

Year		2023 (Consolidated)	2022 (Consolidated)
Item			
Financial income and expenditure status	Liabilities to Assets Ratio (%)	10.58	10.77
	Ratio of long-term funds to property, plant and equipment (%)	327.32	290.21
Profitability analysis	Return on Assets (%)	(7.60)	6.34
	Return on shareholders' equity (%)	(8.56)	6.93
	Ratio of operating profit to paid-in capital (%)	(382.86)	18.96
	Operation Income Net income before tax	(353.77)	29.02
	Net Profit rate (%)	(28.49)	14.35
	Earnings per share (NT\$)	(2.68)	2.33

(4) Research development status:

Our R&D focuses on both aspects :

optical communications in cloud data center 800G & 1.6G application filter process development and assembly application technology improvement, using the company's precision coating equipment, we developed a new process method to accurately control film thickness, refractive index, and stress during the thin film process, increase batch output, with the goal of providing the highest quality optical communication filters in the industry, and develop products such as DWDM Band Splitter Filter (Skip Filter).

Semiconductor packaging applies wafer-level vacuum optical coating, and 6-, 8-, and 12-inch wafers are coated with infrared cut filters (IR-Cut Filter), waveguide distributed Bragg reflector (Waveguide distributed Bragg reflector), and broadband resistors. reflective film (broadband antireflection coating), VIS Band Pass Filter, NIR Low Shift Band Pass Filter, Middle-Far Infrared Long Pass Filter, Refraction Index match transparent conductive film (Indec match Ito), and other various metal or compound film products.

2. Summary of the 2023 business plan

(1) Operating policy

- A. Talents: Hire professional and excellent staff and enhance staff's professional knowledge through education and training to maximize staff value.
- B. Production Control: To improve the yield of coating and to reduce the working hours in the middle and later stages of the production process.
- C. Production Costs: Continuously test various materials and new suppliers to reduce production costs and maintain competitiveness.
- D. Customer Service: To provide customers with a full range of solutions and proactively create win-win opportunities.
- E. Market Development: To actively explore overseas markets to increase customer base and maintain market competitiveness and market shares.

(2) Expected sales volume and its basis: The Company's sales volume was expected to continue to grow this year, and it was estimated that the Company's estimated shipment of filters for 16,880 thousands this year would be approximately.

### (3) Important production and sales policies:

#### A. Important production policies

- (a) Production technology: Continuous improvement of production technology, in addition to the improvement and upgrading of production skills and processes, also includes the development of automated equipment required for production lines, reducing manpower and increasing product stability.
- (b) Production process improvement: Increase coating yield and usable area to reduce costs and increase added value; add AOI inspection equipment and multi-band measurement instruments, introduce laser slotting and cutting process to reduce cutting losses, improve production efficiency and increase measurement capability.
- (c) Management system enhancement: Introduce MES process management system, through the integration of process data, to provide data exploration and discovery problems to increase production and yield rate. Build standard inventory items to reduce customer lead time.

#### B. Important sales policies

- (a) The passive market for optical communications: European and American infrastructure and the B5G fronthaul market are the main sources of revenue in the near future. The market fluctuations are greater than before, and construction may be delayed. Pay attention to the market prices of competitors to facilitate pricing strategies. In addition, some resources will be invested in the development of filter requirements for the data computing center.
- (b) Cloud Data Market: AI fermentation in 2023, 800G modules will begin mass production, and we will cooperate with customer 1.6TG&CPO(Co-Packaged Optics) to develop the next generation of key components.
- (c) Non-Optical Communication Active Market: CIS, LEO satellite, Virtual Reality & LiDAR Sensor and other related coating applications as the development direction.
- (d) Biomedical Market: There are many types of fluorescence filters for flow cytometers, with wavelengths ranging from 300 to 850 nm. They are an indispensable technology in the biomedical field. They have been approved by a customer for a long time. Biological testing, small batch production started.

### 3. Future company development strategy

The Company is also developing Silicom Photonics、Co-packaged optics and PCB glass carrier for IC packaging and other related component thin film processes.

Actively development for UV, VIS, NIR, and MIR required for biomedical sensing and detection, light detection and ranging, environmental chemistry and molecular species detection, and image sensing., FIR coating products.

### 4. Affected by the external competitive environment, regulatory environment, and overall business environment

In 2023 due to the political factors and the epidemic. Coupled with the sharp decline in China's economy, demand has been greatly affected. The new generation of AI applications has increased significantly. The company has been in this field for a long time and will continue to improve and progress.

In addition to maintaining close cooperation with key customers, the Company will continue to improve the production efficiency and yield of its products to reduce costs and establish a win-win Relationship between supply and sales. We will also continue to monitor the market situation, develop new products and adjust the direction of our operations in response to market demand, and keep an eye on the impact of the law on our operations.

We thank our shareholders for their long-term support and care. The management team is committed to providing the most complete range of products and the best services to create maximum benefits for our shareholders and customers.

Best regards,

Chairman:

Law Lee



President:

Blue Lan



Manager, Corporate Finance:

Peter Sun



## II. Company Profile

1. Date of Establishment August 1, 2003.

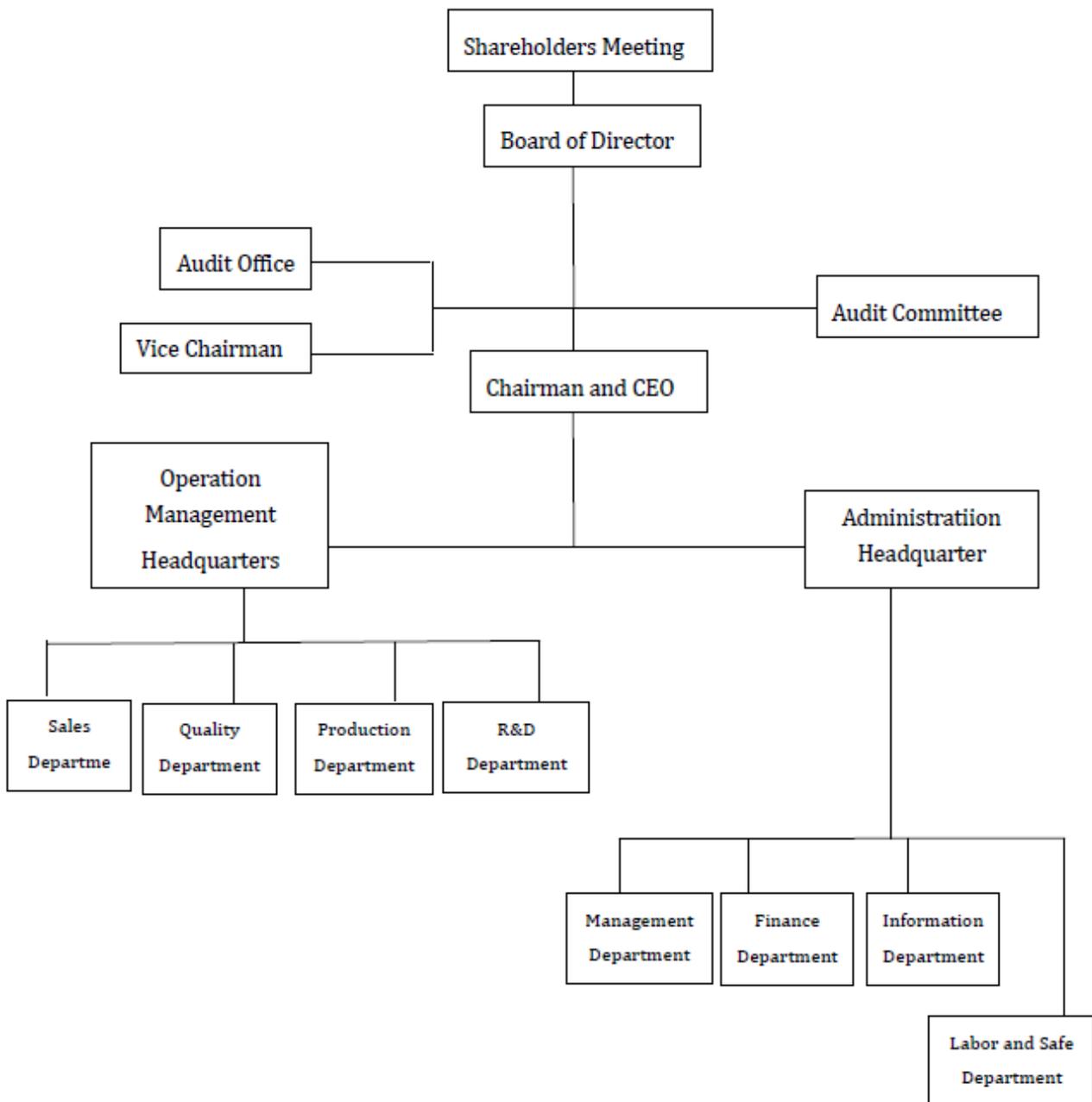
### 2. Company History

Year	Milestones
2003	Obtained a license from the Ministry of Economic Affairs to establish the company, with a paid-in capital of NT\$ 20,000,000, and was approved to be located in the Southern Science and Industrial Park.
2005	In May, we increased our capital to NT\$60,000,000 by cash.
2006	Passed ISO 9001 quality certification.
2007	The merger with NEXT TECH TECHNOLOGIES CO., LTD. was completed on July 29, with a capital increase of NT\$64,000,000 and a capital reduction of NT\$79,960,000. As a result, the paid-in capital decreased to NT\$64,040,000. In December, the Company increased its capital by cash NT\$50,000,000 and paid off its debentures by NT\$10,000,000, increasing its paid-in capital to NT\$124,040,000.
2009	In August, we offset the losses by NT\$76,040,000 and carried out a cash capital increase of NT\$60,000,000. As a result, the paid-in capital decreased to NT\$108,000,000. Passed ISO 14001 quality certification.
2010	Increased three coating machines to expand production capacity.
2011	Increased three coating machines to expand production capacity.
2012	In August, we carried out a capital increase of NT\$72,000,000 through surplus conversion and a cash capital increase of NT\$7,000,000. As a result, the paid-in capital increased to NT\$187,000,000. Established Chunan factory in Miaoli. The expansion of five sets of coating machines and transparent conductive film equipment was in place.
2013	Introduced the new DigiWin ERP system. Employee stock options were executed and a total of 1,000,000 common shares were issued, increasing the paid-in capital to NT\$197,000,000 after the capital increase. Established a subsidiary, FERRULE PRECISION CO., Ltd., held 81% shares In July, the stock was issued to the public. In September, the Company increased its paid-in capital to NT\$287,000,000 by transferring capital from surplus. On October 18, the stock was listed on the Emerging Stock Market.
2014	Increased two sets of coating machines to expand production capacity. In December, we increased our paid-in capital to NT\$322,900,000 by increasing cash capital. Officially listed on the OTC on December 17.
2015	Added a coating machine to expand the capacity.
2016	Added a coating machine to expand the capacity.
2017	In June, the first unsecured convertible bonds in Taiwan, ROC were issued. Add a coating machine to expand the capacity. In October, the Company increased its paid-in capital to NT\$335,090,000 by cash.
2018	Added two coating machines to expand the capacity. Purchased back 19% shares of our subsidiary FERRULE PRECISION CO., Ltd., and held 100% shares.
2019	Added two coating machines to expand the capacity. In December, the Company increased its capital by NT\$50,000,000 in cash. The Company's paid-in capital increased to NT\$385,090,000.
2020	Added four coating machines to expand the capacity. Repaid the first unsecured convertible bonds in the ROC in June.

Year	Milestones
	Obtained a marketability opinion from the Industrial Development Bureau of the Ministry of Economic Affairs for the technology business.
2021	Terminated its OTC listing and re-listed to TWSE. Added six coating machines to expand production capacity.

### III. Corporate Governance Report

#### 1. Organizational structure



2.Information on Director, Supervisor, President, Vice President, Assistant Manager, and senior managers

(1)Directors and Supervisors

A.Information of Directors and Supervisors

April 30, 2024 Unit: Share; %

Title	Nationality or Registration	Name	Gender & Age	Date First Elected	Term	Date of First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor child Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Positions concurrently served in other companies	Executives, Directors or Supervisors Who are Spouses or within the Second Degree of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
							Chairman	Taiwan	Sheng Lin Investment LTD.	-	2022.6.14	3	2009.5.15	5,489,146			14.25%	5,498,146	14.25%
Taiwan	Rep: Law Lee	Male 61~70	2022.6.14	3	2020.6.17	524		-	524	-	189	-	-	-	School of Law, SCU LAI, JIAN-NAN Law Firm, Supervisor	Apogee Optcom Co., Ltd. Administrative Officer Ferrule Precision CO., Ltd. Chairman Opulence Optronics Co., Ltd Corporate Director, Representative	-	-	-
Director	Taiwan	Sheng Lin Investment LTD.	-	2022.6.14	3	2009.5.15	5,489,146	-	5,489,146	14.25%	-	-	-	-	-	-	-	-	
	Taiwan	Rep: Blue Lan	Male 61~70	2022.6.14	3	2009.5.15	91,240	0.24%	78,240	0.20%	-	-	-	-	Department of Mechanical, FCU Ycl Electronics Co., Ltd. Executive Assistant YCL OPTCOM CO., LTD. Vice President	Apogee Optcom Co., Ltd. President Ferrule Precision CO., Ltd. Legal representative and President	-	-	-
Director	Taiwan	Guang Rong Investment Ltd.	-	2022.6.14	3	2020.6.9	60,244	0.16%	60,244	0.16%	-	-	-	-	-	-	-	-	
	Taiwan	Rep: Huang Yinglin	Male 31~40	2022.6.14	3	2020.7.19	873	-	873	-	-	-	-	-	Master of Applied Chemistry, Waseda University, Japan	Note 1	-	-	-
Director	Taiwan	Shieh Jinnan	Male 61~70	2022.6.14	3	2020.6.9	-	-	-	-	-	-	-	-	MBA, NSYSU, Taiwan LUNG CHING STEEL ENTERPRISE CO., LTD. Chairman	Note 2	-	-	-
Independent Director	Taiwan	Zheng Youren	Male 61~70	2022.6.14	3	2020.6.9	-	-	-	-	-	-	-	-	Note 3	Joint Chair Professor, Department of Biomedical Engineering, National Cheng Kung University Joint Chair Professor, Department of Mechanical Engineering, National Chung Cheng University Contrel Technology Co., LTD Independent Director	-	-	-

Title	Nationality or Registration	Name	Gender & Age	Date First Elected	Term	Date of First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor child Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Positions concurrently served in other companies	Executives, Directors or Supervisors Who are Spouses or within the Second Degree of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Independent Director	Taiwan	Cheng Yunyao	Female 61~70	2022.6.14	3	2020.6.9	-	-	-	-	-	-	-	-	Note 4	Princepharmaceutical Co.,Ltd Independent Director	-	-	-
Independent Director	Taiwan	Chung Chienwen	Male 61~70	2022.6.14	3	2021.6.14	1,000	-	-	-	-	-	-	-	Note 5		-	-	-

- \* Corporate Director Representative and Executive General Manager of Sports Goods Adhesives and Materials Business Division of NAN PAO RESINS CHEMICAL CO., LTD. ; Corporate Director Representative and Chairman of Sheng Lin Invstment Ltd.; ITLS International Development Co., Ltd.; Nanpao Fine Materials Co., Ltd.; Chairman of Sheng Bao Investment Co., Ltd.; Guang Lin Investment Co., Ltd.; Ching Lin International Development Co., Ltd.; Director of Greatwill Materials (HK) Ltd.; Ongoing Profits Ltd.; Rising Sun Associates Ltd.; Nan Pao Resins (Vietnam) Enterprise Ltd.; Goldford Investments Ltd.; Nan Pao Resins (Holdings) Ltd.; Eastlion Enterprises Ltd.; Nan Pao Resins Development Ltd.; Nan Pao Materials Vietnam Co., Ltd.; Nan Pao Resins International Ltd.; Changshu Yu Bo Polymer Materials Co., Ltd.; Profit Land Ltd.; Giant Profit Development Ltd.; Great Mount Enterprises Ltd.; Fuqing Nan Pao Investment Ltd.; Wealth Castle Development Ltd.; Thai Nan Pao Investments Ltd.; ITLS Holding Pte. Ltd.; Nan Pao Materials Resins India Private Ltd.; Opulence Optronics Co., Ltd.; Nan Pao Village Industry Co., Ltd.; Nan Pao Village Development Co., Ltd.; Advant Analytics Tactics Ltd.; Corporate Director Representative of Ferrule Precision Co., Ltd.; Biorich Biotechnology Co., Ltd.; Prince Pharmaceutical Co., Ltd.; Nan Pao Industry Co., Ltd.; Chairman and Supervisor of PT. Indo Nan Pao Resins Chemical Co., Ltd.
- \* Lung Ching Steel Enterprise Co., Ltd. Legal representative Chairman, South Taiwan Investment Co., Ltd. , Nan Fa Investment Limited , Advant Analytics Tactics Ltd., Xiaogang Warehousing Co., Ltd. Chairman, Huangjia Investment Co., Ltd., Jiaqi Enterprise Co., Ltd., CHAO YANG STEEL INDUSTRY CO., LTD. ㊟ Director °
- \* Chair Professor, Department of Mechanical Engineering, Chung Cheng University, Vice President of National Chung Cheng University, General Motors Research Labs Chief R&D Engineer, NASA Glenn Research Center researcher °
- \* Ph.D., Institute of Business Administration, Chang Jung University, Associate Professor and Head of the Department of Business Management and Design, Datong Technical College, Adjunct Associate Professor, Department of Business Administration, Chang Jung University, Associate Professor, Department of Business Management, Datong Technical College, Apogee Optcom Co., Ltd. Remuneration Committee member, Nan Pao Resins Chemical Co., Ltd. Remuneration Committee member °
- \* Assistant Professor, Department of Electronics, Far East University of Science and Technology 、 Associate Professor, Department of Electrical Engineering, Far East University of Science and Technology 、 Pingtung University of Science and Technology Smart Agriculture Production Technology Alliance Advisory Committee 、 Council of Agriculture, Executive Committee Member of the Chicken Association of the Republic of China 、 Consultant of Huading Optoelectronics Co., Ltd.

B. Major shareholders of the institutional shareholders:

April 30, 2024

Name of Institutional Shareholders (Note 1)	Name of Institutional Shareholders (Note 2)
Sheng Lin Investment LTD.	Shengbao Culture Foundation(88.89%)
	World Top Investment Holding LTD. (11.11%)
Guang Rong Investment Ltd.	Guang Rong Investment Development Limited (Samoa) (100%)

\* If the Director, Supervisor is a representative of a corporate shareholder, the name of the corporate shareholder should be filled in.

\* Enter the name of the major shareholder (the top ten shareholders) and its shareholding ratio. If the major shareholder is a corporation, the following table 2 should be completed.

\*If the corporate shareholder is not a corporate organization, the name of the shareholder and the percentage of shareholding disclosed in the preceding paragraph shall be the name of the contributor or donor (please refer to the announcement of the Judicial Yuan) and the percentage of contribution or donation. If the donor is deceased, add "dead".

C. Major shareholders of institutional shareholders are institutional shareholders

Name of Institutional Shareholders (Note 1)	Name of Institutional Shareholders (Note 2)
Shengbao Culture Foundation	Donor and Donation Ratio: Huang Chingfang (dead)(95.30%)
World Top Investment Holding LTD.	World Top Investment Holdings Limited (Samoa) (100%)
Guang Rong Investment Development Limited (Samoa)	Worthy Virtue Electronic Industrial Co., Ltd. (100%)

\* When the major shareholder in Table 1 above is a legal entity, the name of the legal entity should be filled in.

\* Fill in the name of the major shareholder of the corporation (whose shareholding is among the top ten) and its shareholding ratio.

\* If the corporate shareholder is not a corporation, the name of the shareholder and the percentage of shareholding should be disclosed in the preceding paragraph, i.e., the name of the contributor or donor (please refer to the announcement of the Judicial Yuan) and the percentage of contribution or donation. If the donor is deceased, add "dead".

### D. Director professional qualifications and independence analysis of Independent Directors

Criteria	Professional qualifications and experience	Independence of Independent Directors	Number of other public companies in which the person is concurrently serving as an independent director.
Name			
Sheng Lin Investment Ltd. Rep: Law Lee	1. Mr. Law Lee graduated from Soochow University with a major in law and has more than 30 years of working experience. He has served as Legal Manager, Associate Manager of Administration Department, Spokesperson, and Administrative Officer, etc. Mr. Lee has served as the Chairman of the Company since 2020 and possesses legal expertise, industry knowledge, and leadership of operating companies. 2. None of the directors are classified under Article 30 of the Company Act. (Note 1)	Not applicable.	0
Sheng Lin Investment Ltd. Rep: Blue Lan	1. Mr. Blue Lan graduated from the Department of Mechanical, FCU, and has more than 30 years of work experience. He has successively served as the special assistant to the Chairman, Vice President, and the President. Possess majors in industry knowledge, company management leadership, and business strategy. 2. None of the directors are classified under Article 30 of the Company Act. (Note 1)		0
Guang Rong Investment Ltd. Rep: Huang Yinglin	1. Mr. Huang Yinglin obtained a master's degree from the Institute of Applied Chemistry of Waseda University in Japan. He is currently serving as the special assistant to the executive office of Nanbao Resin Company and the director of the company. He has professional knowledge of the industry. 2. None of the directors are classified under Article 30 of the Company Act. (Note 1)		0
Shieh Jinnan	1. Mr. Shieh Jinnan obtained a master's degree from Sun Yat-sen University's Institute of Business Administration and has more than 30 years of work experience. He is currently serving as Lung Ching Steel Enterprise Co., Ltd. Chairman, Advant Analytics Tactics Ltd. Chairman and Xiaogang Warehousing Co., Ltd., etc. He has industry knowledge and leadership in operating companies, business strategy and other expertise. 2. None of the directors are classified under Article 30 of the Company Act. (Note 1)		0
Independent Director Zheng Youren	1. Dr. Chen Chengnan obtained a Ph.D. from the Institute of Business Management, National Chengchi University, and has more than 30 years of work experience. He served as the Principal of Penghu University of Science and Technology, a professor of the Department of Business Management of Southern Taiwan University of Science and Technology, Director of the Technology and Innovation Management Research Center of National Cheng Kung University, and acted as director and president of the business management department of National Cheng Kung University, etc. He possesses of industrial knowledge, business strategy, etc. 2. None of the directors are classified under Article 30 of the Company Act. (Note 1)	All Independent Directors are eligible for the following. The All Independent Directors meet the requirements of Article 14-2 of the Securities and Exchange Act and Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" issued by the Financial Supervisory Commission (Note 2). All independent directors have been given the power to fully participate in decision-making and express opinions in accordance with Article 14-3 of the Securities and Exchange Act, and accordingly execute relevant powers independently. The person, whose spouse or a second degree relative is not a Director, Supervisor or employee of the Company or its affiliates. I, my spouse, or a relative within the second degree of consanguinity (or using the name of another person) do not hold shares and weightings in the Company. Not a director, supervisor or employee of a company with which the Company has a specific relationship. Not to provide business, legal, financial, or accounting services to the Company or its affiliates for the last two years. The amount of remuneration received from the Company or its affiliates for business, legal, financial, or accounting services in the last 2 years.	1

Name	Criteria	Independence of Independent Directors	Number of other public companies in which the person is concurrently serving as an independent director.
Independent Director Cheng Yunyao	Professional qualifications and experience 1, Dr. Cheng Yunyao graduated from the Accounting Department of National Cheng Kung University, and later obtained a master's degree from the Institute of Finance and Finance, University of Iowa, and a Ph.D. from the Institute of Management, Chang Rong University. She has more than 30 years of work experience. Acted as Associate Professor and Head of the Department, Adjunct Associate Professor of the Business Administration Department of Chang Jung Christian University, with majors in accounting, financial management, and financial investment. 2, None of the directors are classified under Article 30 of the Company Act. (Note 1)		1
Independent Director Chung Chienwen	1, Mr. Chung Chienwen obtained a Master's degree in Information Engineering from Chung Shan University and has over thirty years of work experience. He has previously served as an Assistant Professor in the Department of Electronics at Far East University, an Associate Professor in the Department of Electrical Engineering at Far East University, a consulting committee member of the Smart Agricultural Production Technology Alliance at Pingtung University of Science and Technology, and an executive committee member of the Taiwan Poultry Association under the Council of Agriculture. He possesses industry knowledge and expertise. 2, None of the directors are classified under Article 30 of the Company Act. (Note 1)		0

\* Anyone who falls under one of the following circumstances shall not be allowed to act as a manager, and those who have already acted as managers shall of course be dismissed:

- (1) Has committed a crime stipulated in the Regulations on the Prevention and Control of Organized Crime, and has been convicted of a crime that has not yet been executed or has not been completed, or five years have not elapsed since the expiration of the probation period or the pardon after the completion of the execution.
- (2) A person who has committed fraud, breach of trust, or embezzlement has been sentenced to a fixed-term imprisonment of more than one year and has not yet executed, has not yet completed the execution, or has completed the execution, and two years have not passed since the expiration of the suspended sentence or the pardon.
- (3) Those who have committed the crime of Anti-Corruption Act, have been convicted and confirmed, and have not yet executed, and the execution has not been completed, or the execution has been completed, and the probation period has expired or it has not been more than two years since the pardon.
- (4) Those who have been declared bankrupt or have been ordered to start liquidation procedures by the court, but have not yet been restored.
- (5) The use of bills has not yet expired after being rejected.
- (6) Persons with no capacity or limited capacity.
- (7) The assisted declaration has not been revoked.

\* Each independent director meets the conditions of the following criteria in the two years before the election and during the term of office:

- (1) Employees who are not employees of the company or its affiliated enterprises.
- (2) He/She is not director or supervisor of the Company or its affiliated companies (but not limited to the case where the independent directors established by the company and its parent company, subsidiaries, or subsidiaries of the same parent company in accordance with this law or local laws and regulations concurrently) .
- (3) Not the persons and their spouses, minor children, or natural person shareholders who hold more than 1% of the company's total issued shares in the name of others or hold the top ten shares.
- (4) Spouses, relatives within the second degree or direct blood relatives within the third degree of the managers listed in (1) or personnel listed in (2) and (3).
- (5) Indirectly holding more than 5% of the total issued shares of the company, the director, supervisor of the top five shareholders or the legal person shareholder appointed as the director or supervisor of the company according to item 1 or item 2 of Article 27 of the Company Law Or employees (but not limited to the case where the independent directors established by the company and its parent company, subsidiaries or subsidiaries of the same parent company in accordance with this law or the laws of the local country concurrently serve as each other).
- (6) More than half of the company's Director seats or voting shares are controlled by the same person as the director, supervisor or employee of another company (but if it is the company or its parent company,

subsidiary or a subsidiary of the same parent company Independent directors established in accordance with this Act or the laws of the local country concurrently serve as each other, except for this limitation).

- (7) Director (director), Supervisor (supervisor) or employee of another company or institution that is not the same person or spouse as the company's Chairman, President or equivalent (but if the company and its parent company, subsidiary Or independent directors established by subsidiaries of the same parent company in accordance with this Act or the laws of the local country concurrently serve as each other, except for this limitation).
- (8) Directors (directors), supervisors (supervisors), managers, or shareholders holding more than 5% of the shares of specific companies or institutions that have financial or business dealings with the company (but if a specific company or institution holds the total number of issued shares of the company More than 20%, but not more than 50%, and the independent directors established by the company and its parent company, subsidiaries, or subsidiaries of the same parent company in accordance with this law or the laws of the local country are mutually concurrent, except for this limitation).
- (9) Business, legal, financial, accounting and other related services provided by professionals, sole proprietors, partners, directors, and spouses of companies or organizations that do not provide auditing services for the company or its affiliates or have received compensation of less than NT\$500,000 in the last two years, Supervisor, manager, and spouse. However, members of the Compensation Committee, the Public Takeover Review Committee or the Special Committee on Mergers and Acquisitions, who perform their duties and responsibilities in accordance with the Securities and Exchange Act or the Mergers and Acquisitions Act, are excluded.

#### E. Diversification and independence of Board of Directors:

##### (A) Board of Directors Diversification

The Company implements a policy of diversity on the Board of Directors, which is governed by the Corporate Governance Best Practice Principles , including but not limited to the following two broad criteria: Basic Qualifications and Values: gender, age, nationality, race and culture, etc.

Professional knowledge and skills: professional background (e.g., law, accounting, industry, finance, marketing, or technology), expertise, and industry experience.

The Company has a total of three directors (including one independent director), and the Board of Directors has diverse and complementary industry experience and professional capabilities in finance, finance, accounting, and law, in line with the management objectives of the Board of Directors' diversity policy (please refer to Note 1: Implementation of the Board of Directors' Diversity Policy).

Specific management objectives :	Achievement situation :	
(1) Board of Directors shall include at least one female Director;	(1) Board of Directors includes a female Independent Director;	Passed
(2) Independent Director seats exceed one-third of Director seats;	(2) Independent Director accounted for 42.86 %;	Passed
(3) The number of directors who concurrently act as the company's manager shall not exceed one-third of the director's seats;	(3) Directors who also serve as company managers account for 28.57 %;	Passed
(4) No more than 2 directors have a spouse or a relative Relationship within the second degree.	(4) Directors do not have a spouse or relative within the second degree kinship.	Passed

Note 1 : Implementation of Diversity Policy for Board Members

Diversified core item	Basic Criteria			Date of First Elected	Independent Director Term (Seniority)	Part time staff	Part-time manager	Professional ability								Industrial experience		
	Gender	Age	Nationality					Industry Knowledge	Management	Leadership Decision	Banking and Finance	Legal	Human Resources	ESG	Risk Management	Net work	Chemical	Steel
Director's Name																		
Sheng Lin Investment LTD. Rep: Law Lee	Male	61-70	Taiwan	2010. 6.17		✓	✓	✓	✓	✓		✓	✓	✓	✓	✓		
Sheng Lin Investment LTD. Rep: Blue Lan	Male	61-70	Taiwan	2009. 5.15		✓	✓	✓	✓	✓				✓	✓	✓		
Guang Rong Investment Ltd. Rep: Huang Yinglin	Male	31-40	Taiwan	2010. 7.17				✓	✓	✓							✓	
Shieh Jinnan	Male	61-70	Taiwan	2010. 6.9				✓	✓	✓				✓	✓			✓
Independent Director: Zheng Youren	Male	61-70	Taiwan	2010. 6.9	4-6 years			✓							✓			
Independent Director: Cheng Yunyao	Female	61-70	Taiwan	2016. 6.7	7-9 years						✓				✓			
Independent Director : Chung Chienwen	Male	61-70	Taiwan	2022. 6..14	1-3 years			✓							✓			

Independence of the Board of Directors: The Board of Directors of the Company is reasonably independent.

(i) There are x directors, of whom x are independent (42.86 %). 3 directors meet all independence criteria (42.86 %).

(ii) All independent directors shall serve for no more than three consecutive terms, and no more than three independent directors of other public companies shall serve concurrently.

(iii) There is no spouse or relative within the second degree among the directors (no cases as required by the Securities and Exchange Act).

(iv) The directors shall exercise a high degree of self-discipline and shall not participate in the discussion of or vote on any resolution listed in the board of directors' meeting in which they or the legal entity they represent has an interest, and shall recuse themselves from the discussion or vote if it is harmful to the interests of the Company. (Please refer to page 18 : Circumvention of Directors' Interests.)

(B) Information on General Managers, Vice Presidents, Associates and Heads of Departments and Branches

April 9, 2024 Unit: Share; %

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor child Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Managers who are spouses or within the second degrees of kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
President	Taiwan	Blue Lan	Male	2007.07.01	83,240	0.20%	-	-	-	-	Department of Mechanical, FCU YCL ELECTRONICS CO., LTD. Special Assistant to Chairman YCL OPTCOM CO.,LTD. Vice President	Ferrule Precision Co. Ltd. Corporate Director, Representative and President	-	-	-
Executive Vice President, Sales Department	Taiwan	Rick Wei	Male	2014.06.05	61,238	0.16%	-	-	-	-	Department of Optics and Photonics, National Central University YCL OPTCOM CO.,LTD. Head of Manufacturing Division LITE-ON Technology Corporation, R&D Deputy Manager	Ferrule Precision Co. Ltd. Sales Manager	-	-	-
Chief Management Department	Taiwan	Law Lee	Male	2024.05.10	524	-	189	-	-	-	School of Law, SCU LAI,JIAN-NAN Law	Chairman of Ferrule Precision Co. Ltd. Corporate Director and Representative of Optronics Co., Ltd.	-	-	-
Manager, Corporate Finance	Taiwan	Peter Sun	Male	2014.11.08	25,000	0.06%	-	-	-	-	Accounting Department, National Cheng Kung University Ernst & Young Accounting Firm, Auditing Section, Director T.Y.C. BROTHER IND. CO., LTD., Senior Specialist of Investment and Management	Ferrule Precision Co. Ltd. Manager of Corporate Finance	-	-	-
Assistant Manager	Taiwan	Benny Chuang	Male	2024.05.10	-	-	-	-	-	-	Department of Information Management of, Southern Taiwan University of Science and Technology I-shy System Planning Engineer E&R Engineering Corporation. System Control Engineer YCL OPTCOM CO.,LTD. Engineer	-	-	-	
Chief Technology Officer	Taiwan	Chin Pim Yeh	Male	2017.01.03	20,000	0.05%	-	-	-	-	Institute of Electrophysics, National Chiao Tung University Kingyoun Optronics Co., Ltd, Manufacturing Manager H.P.B. Optoelectronics Co., Ltd. R&D Manager	-	-	-	
Head of Auditing Department	Taiwan	Li Jingyi	Female	2020.02.10	-	-	-	-	-	-	Tamkang University, Department of International Trade Yonyu Plastics Co., Ltd. Auditing Specialist Chanheng Precision Co., Ltd. Head of Auditing Department	-	-	-	

(C) Remuneration for general directors, independent directors, supervisors, general manager and deputy general manager

- a. The company shall disclose the remuneration of its directors, supervisors, general manager and deputy general manager individually if one of the following circumstances occurs:
- (i) If there have been after-tax losses in the individual or individual financial reports in the last three years, the names and remuneration of the "directors and supervisors" should be disclosed individually, but the individual or individual financial reports in the most recent years have generated after-tax net profits, which are sufficient to make up for the accumulated losses, not limited to this.
  - (ii) In the most recent year, when the director's shareholding ratio has been insufficient for more than three consecutive months, the individual director's remuneration shall be disclosed; if the supervisor's shareholding ratio has been insufficient for more than three consecutive months in the most recent year, the individual supervisor's remuneration shall be disclosed.
  - (iii) If the average pledge ratio of directors or supervisors for any three months in the most recent year is greater than 50%, the remuneration of individual directors or supervisors whose pledge ratio exceeds 50% in each month shall be disclosed.
  - (iiii) All directors and supervisors receiving remuneration for directors and supervisors of all companies listed in the financial report accounted for more than 2% of the after-tax net profit, and individual directors or supervisors received remuneration exceeding NT\$15 million, The remuneration of the individual director or supervisor should be disclosed. (Note: The above-mentioned remuneration for directors and supervisors is calculated by adding the item "Director's Remuneration" to "Supervisor's Remuneration" in the attached table, excluding the relevant remuneration received by part-time employees.)
  - (v) Listed OTC companies whose corporate governance evaluation results in the most recent year are at the last level, or have been subject to changes in trading methods, suspension of trading, termination of listing, or other corporate governance issues in the most recent year and up to the date of publication of the annual report. Those who are considered by the evaluation committee should not be evaluated.
  - (vi) The average annual salary of non-managerial full-time employees of the listed OTC companies in the most recent year has not reached NT\$500,000.
  - (vii) Listed over-the-counter companies whose net profit after tax increased by more than 10% in the most recent year, but the average annual salary of full-time employees who are not in supervisory positions did not increase compared with the previous year
  - (viii) The after-tax profit and loss of listed companies in the most recent year has declined by 10% and exceeded NT\$5 million, and the average remuneration of each director (excluding part-time employee compensation) has increased by 10% and exceeded NT\$100,000.

(1). Remuneration paid to general directors and independent directors in 2023 in the most recent year (individually disclose names and remuneration methods)

Unit: NT\$1,000

Title	Name	Director Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Part-time employees receive related remuneration						Ratio of Total Remuneration (A+B+C+D+E+F+G) to Net Income (%)		Remuneration from ventures other than subsidiaries or from the parent company				
		Base Remuneration (A)		Severance Pay (B)		Directors Remuneration(C)		Allowances (D)		Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Remuneration (G)				The Company	All companies in the consolidated financial statements					
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company		All companies in the consolidated financial statements								
Chairman	Sheng Lin Investment Limited Representative : Law Lee	-	-	-	-	-	-	30	30	-0.03%	-0.03%	2,664	2,664	-	-	-	-	-	-	2,694	2,694	-2.61%	-2.61%	-
Director	Sheng Lin Investment Limited Representative : Blue Lan	-	-	-	-	-	-	30	30	-0.03%	-0.03%	4,202	4,202	108	108	-	-	-	-	4,340	4,340	-4.20%	-4.20%	-
Director	Guang Rong Investment Ltd. Representative : Huang Yinglin	-	-	-	-	-	-	30	30	-0.03%	-0.03%	-	-	-	-	-	-	-	-	30	30	-0.03%	-0.03%	-
Director	Shie Jinnan	-	-	-	-	-	-	30	30	-0.03%	-0.03%	-	-	-	-	-	-	-	-	30	30	-0.03%	-0.03%	-
Independent Director	Zheng Youren	180	180	-	-	-	-	30	30	210/-0.20%	210/-0.20%	-	-	-	-	-	-	-	-	210	210	-0.20%	-0.20%	-
Independent Director	Cheng Yunyao	180	180	-	-	-	-	30	30	210/-0.20%	210/-0.20%	-	-	-	-	-	-	-	-	210	210	-0.20%	-0.20%	-
Independent Director	Chung Chienwen	180	180	-	-	-	-	25	25	205/-0.20%	205/-0.20%	-	-	-	-	-	-	-	-	205	205	-0.20%	-0.20%	-

※ Except as disclosed in the table above, the most recent year's compensation received by the company's directors for services provided to all companies in the financial statements (e.g., as consultants to non-employees): None.

Note1 : Describe the policy, system, standard and structure of remuneration for general directors and independent directors, and describe the correlation with the amount of remuneration based on factors such as responsibilities, risks, time invested, etc.: Remuneration A is the monthly remuneration of independent directors, and is related to the amount of remuneration paid during the term of office. It is related to the number of months; the director's remuneration C is not higher than 5% according to the company's articles of association, and there was a loss in 112, so there is no director's remuneration in that year, which is in compliance with the company's articles of association; business execution expenses D are mainly travel expenses, which are related to the number of meetings.

(2) Remuneration of General Manager and Deputy General Manager for the most recent year (2023) (name and method of remuneration disclosed separately)

Unit: NT\$1,000

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Remuneration (D)				Ratio of total remuneration (A+B+C+D) to net income (%)		Remuneration from ventures other than subsidiaries or from the parent company
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
President	Blue Lan	2,551	2,551	108	108	1,651	1,651	-	-	-	-	4,310/ -4.14%	4,310/ -4.17%	-
Executive Vice President	Rick Wei	1,868	1,868	108	108	1,246	1,246	-	-	-	-	3,222/ -3.12%	3,222/ -3.12%	-

b. If a listed company has one of the above (1) or (5), it should disclose the remuneration information of the top five executives (such as President, Vice President, CEO or Head of Financial Department) individually.

(1). The compensation paid to the top five executives in the most recent year (2023) (individual disclosure of Name and compensation method)

Unit: NT\$1,000

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Remuneration (D)				Ratio of total remuneration (A+B+C+D) to net income (%)		Remuneration from ventures other than subsidiaries or from the parent company
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
President	Blue Lan	2,551	2,551	108	108	1,651	1,651	-	-	-	-	4,310/ -4.17%	4,310/ -4.17%	-
Executive Vice President	Rick Wei	1,868	1,868	108	108	1,246	1,246	-	-	-	-	3,222/ -3.12%	3,222/ -3.12%	-
Chief Technology Officer	Chin Pin Yeh	1,662	1,662	101	101	1,014	1,014	-	-	-	-	2,777/ -2.69%	2,777/ -2.69%	-
Chief Administrative Officer	Law Lee	1,949	1,949	-	-	715	715	-	-	-	-	2,664/ -2.58%	2,664/ -2.58%	-
Assistant Manager	Benny Chuang	1,290	1,290	75	75	898	898	-	-	-	-	2,263/ -2.19%	2,263/ -2.19%	-

(2). Names of managers who distributed employee compensation in the most recent year (2023) and the circumstances of the distribution:

December 31, 2023 ; Unit: NT\$1,000

	Title	Name	Stock	Cash	Total	Proportion of total amount to net profit after tax (%)
	Managers	President	Blue Lan	-	-	-
Executive Vice President		Rick Wei				
Manager, Corp. Finance		Peter Sun				
Chief Administrative Officer		Law Lee				
Assistant Manager		Benny Chuang				
Chief Technology Officer		Chin Pin Yeh				
Head of Auditing Department		Li Jingyi				

(D) Comparing and explaining the ratio of the total amount of remuneration paid to the Company's Director, Supervisor, President, and Vice President in the last two years by the company and all companies in the consolidated statement to the after-tax net profit of individual or individual financial reports, and explaining the policy and standards for payment of remuneration and portfolio, the procedure for determining remuneration, and the relationship with business performance and future risks.

1. Analysis of the ratio of total remuneration paid to after-tax net profit:

Unit: NT\$1,000

Item	2022		2023	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Total Director Remuneration	10,032	10,032	7,719	7,719
Proportion of director's total remuneration to after-tax net profit (%)	11.20%	11.20%	-7.47%	-7.47%
President and Vice President	10,815	10,815	7,325	7,532
The total remuneration of the general manager and deputy general manager is a percentage of net income after tax. (%)	12.07%	12.07%	-7.29%	-7.29%

Note: The total amount of Director's remuneration includes the portion of remuneration received by part-time employees, so there is duplication with the calculation of President/Vice President's remuneration.

2. The policy, criteria and composition of remuneration, the process of setting remuneration, and the correlation with operational performance and future risks.

(1) Director

In accordance with Article 25 of the Company's Articles of Incorporation, the Director's remuneration shall be no more than 5% of the Company's earnings for the period before the Company distributes the earnings.

(2) President and Vice President

The remuneration of the CEO, President and Vice President consists of salary, bonus and employee compensation. The salary level is determined based on the position held by the Company, the responsibilities assumed and the contribution to the Company's operating objectives, and with reference to industry standards. In accordance with Article 25 of the Company's Articles of Incorporation, the Company shall set aside 1% to 5% of the earnings of the period in which the earnings are distributed as compensation to employees. In addition to the Company's overall operating performance, future operating risks and development trends of the industry, the Company also makes reference to the individual's performance achievement rate and contribution to the Company's performance in order to provide reasonable compensation, which is positively related to the operating performance. The Company has a positive correlation with operating performance. The compensation system is reviewed by the Compensation Committee and the Board of Directors at any time in light of the actual operating conditions and relevant laws and regulations, in order to strike a balance between sustainable operation and risk control of the Company.

C. Corporate Governance Report

(1) Board of Directors Operation

The Board of Directors met eight times in the FY 2023 and up to the date of printing of the annual report, and the attendance of directors was as follows.

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Chairman	Sheng Lin Investment LTD. Rep: Law Lee	8	0	100%	
Director	Sheng Lin Investment LTD. Rep: Blue Lan	8	0	100%	
Director	Guang Rong Investment Ltd. Rep: Huang Yinglin	8	0	100%	
Director	Shieh Jinnan	8	0	100%	
Independent Director	Zheng Youren	8	0	100%	
Independent Director	Cheng Yunyao	8	0	100%	
Independent Director	Chung Chienwen	7	0	88%	

Other supplementary items.

- The operation of the Board of Directors shall specify the date, period, content of the motion, all Independent Director's opinions and the Company's treatment of the Independent Director's opinions if any of the following circumstances apply.
  - The matters listed in Section 3 of Article 14 of the Securities Exchange Act.  
Please refer to "Information on the Operation of the Audit Committee" in this annual report. All of the Independent Directors agreed to approve each motion.
  - In addition to the foregoing, other matters resolved by the Independent Director with dissenting or qualified opinions and recorded or stated in writing: None.
- The Director shall recuse himself/herself from the implementation of the interest motion by stating the Director Name, the content of the motion, the reasons for the recusal and the participation in the voting.
  - Board of Directors Meeting on December 21, 2023.  
A.(2) In accordance with the Board of Directors' Rules of Procedure, Law Lee and Blue Lan, as managers of the Company, recused themselves from the 2023 Year-End Bonus and the Performance Bonus. The Board of Directors has recused itself from the case. The proposal was approved by a resolution of the other five Directors present.
- The listed company should disclose the period and duration of the Board of Directors' self- (or peer) evaluation, the scope, method and content of the evaluation, and fill out Appendix 2. Implementation of the Board of Directors Evaluation

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items
Once a year Year	2023.01.01- 2023.12.31	Board of Directors	Director's self-evaluation	Participation in corporate operations, quality of board decisions, composition and structure of the board, selection and continuing education of directors, and internal control.
		Individual Director member	Self-evaluation by members of the Board (peer)	The Company's objectives and tasks, knowledge of directors' duties, participation in the Company's operations, internal relations and communication, professional and continuing education of directors, and internal control.
		Functional Committee	Internal self-evaluation of each functional committee	An evaluation is conducted once every three years by an external professional independent organization
An assessment is conducted once every three years by an external professional independent organization.	2022.01.01- 2022.12.31	Board of Directors	EY evaluation is conducted once every three years by an external professional independent organization	Aspects including the level of Board involvement and awareness of the company's operations, enhancing the quality of Board decisions and understanding of goals and tasks, Board composition and structure, director selection and ongoing education, as well as internal controls within the Board.

The results of the self-evaluation of the performance of the Board of Directors and the Functional Committee for 2023 were assessed to be good and the overall situation was still effective. The results were submitted to the board meeting on March 08, 2024. The overall performance evaluation and recommendations commissioned by EY, an external professional independent agency, every three years have been submitted to the board of directors on March.09.2023 as a basis for review and improvement.

4. Assessment of the objectives of the current year and the most recent year to strengthen the functions of the Board of Directors (e.g., to establish an audit committee and to enhance information transparency, etc.) and the implementation status:

(1) Strengthen the functions of the Board of Directors :

1. In order to continuously enhance the directors' professional knowledge and legal literacy to assist the effective operation of the Board, the Shareholder Services Unit has assisted in arranging training courses for directors. In 2023, all directors completed the required training hours in accordance with the "Guidelines for Continuing Education for Directors and Supervisors of Listed and OTC Companies.

2. Relevant information on the Audit Quality Indicator (AQI) was obtained in 2024 for the evaluation of the appropriateness of auditors and for subsequent considerations regarding the appointment or reappointment of signing auditors. Additionally, the independence and suitability assessment of signing auditors for the 2024, has been completed and submitted in the Board Report dated March 8th, 2024.

(2) Enhancing Investor Communication :

Starting from 2022, the company has resumed holding biannual institutional investor conferences, providing regular updates on the company's financial and business information. This initiative aims to provide the investing public with direct opportunities to communicate with the management team. From 2023 onwards, we will disclose video recordings to ensure that investors who cannot attend the briefings have access to the same information.

(2) Operation of the Audit Committee

A. Operation of the Audit Committee

The company's Audit Committee was established on June 9, 2020 to replace the original Supervisor system. The members of the committee are composed of 3 Independent Directors from the Board of Directors, and all members elect an Independent Director to serve as the convener and chairman of the meeting. The Audit Committee shall operate in accordance with the Company's "Rules and Regulations Governing the Organization of the Audit Committee" and shall consider the following matters: the Company's financial statements, the Company's internal control system, significant asset or derivative transactions, the issuance of securities, the appointment, dismissal or compensation of the certifying accountant, and the appointment or dismissal of the financial, accounting or internal Head of Auditing Department.

2023 Work Highlights

(a) Review of Financial Statements

The financial statements for 2022 (including the consolidated financial statements) have been audited by CPAs of Ernst & Young; Huang, Shih-Chieh and Huang, Guo Sen and approved by the 4th Audit Committee of the 2st session on March 09, 2023, together with the Business Report and the motion on the appropriation of earnings. The Board of Directors approved the proposal on March 9, 2023, and submitted it to the shareholders' meeting on June 6, 2023 for approval.

(b) The Company's internal control system based on the "Regulations Governing Establishment of Internal Control Systems by Public Companies" was effective. In accordance with the "Regulations Governing the Establishment of Internal Control Systems by Public Companies", the Company determined that the design and implementation of the internal control system for 2022 was effective, based on the self-assessment report of each unit and subsidiary's internal control system and the results of the Audit Office's full-year audit program. Therefore, we determined that the design and implementation of the internal control system for 2022 were effective and were reviewed and approved by the 4th Audit Committee of the 2st session on March 9, 2023, and the "Statement of Internal Control System" for 2022 was issued for the resolution by the Board meeting on March 9, 2023.

For the FY 2023 and up to the date of publication of the public statement, the Audit Committee met Eight times with the Independent Director in attendance as follows.

Title	Name	Attendance in Person	Actual attendance by proxy (%)	Remark
Independent Director	Zheng Youren	8	100%	
Independent Director	Cheng Yunyao	8	100%	
Independent Director	Chung Chienwen	7	88%	

Other matters that shall be recorded:  
 1. The Audit Committee shall specify the date, period, content of the motion, and the outcome of the Audit Committee's resolution and the Company's handling of the Audit Committee's opinion if any of the following circumstances apply to the operation of the Audit Committee.

(1) Matters listed in Article 14-5 of the Securities and Exchange Act.

Meeting Date	Session	Content of the proposal	Resolution result	The Company's handling of the opinions of the Audit Committee	
2023.3.9	The 2 <sup>nd</sup> meeting The 4th time	(1) Plans to change accountants starting from the fourth quarter of 2022.	all the members present, the case was approved without objection	all the members present, the case was approved without objection	Agreed
		(2) Financial Statements (both consolidated and individual), Report on Operations and Financial Statements			
2023.5.9	The 2 <sup>nd</sup> meeting The 5th time	(3) The Company reviews 「Self-assessment of internal control system operating procedures」	all the members present, the case was approved without objection	all the members present, the case was approved without objection	Agreed
		(4) The Company reviews the 「Sustainable Development Best Practice Principles」			
2023.8.10	The 2 <sup>nd</sup> meeting The 6th time	(5) The Company revises the 「Corporate Governance Best Practice Principles」	all the members present, the case was approved without objection	all the members present, the case was approved without objection	Agreed
		(6) The Company reviews the 「Regulation Governing the Preparation of Financial Reports」			
2023..9.28	The 2 <sup>nd</sup> meeting The 7th time	(7) 2022 Internal Control System and Statement. The Company reviews quarterly whether the accounts receivable should be transferred to others.	all the members present, the case was approved without objection	all the members present, the case was approved without objection	Agreed
		(1) Consolidated financial statements for the first quarter of 2023			
2023.8.10	The 2 <sup>nd</sup> meeting The 6th time	(2) Endorsement of guarantee for loans from FERRULE PRECISION CO.	all the members present, the case was approved without objection	all the members present, the case was approved without objection	Agreed
		(3) The Company reviews quarterly whether the accounts receivable should be transferred to others.			
2023..9.28	The 2 <sup>nd</sup> meeting The 7th time	(1) Consolidated financial statements for the second quarter of 2023	all the members present, the case was approved without objection	all the members present, the case was approved without objection	Agreed
		(2) Loan of funds to its subsidiary FERRULE PRECISION CO.			
2023..9.28	The 2 <sup>nd</sup> meeting The 7th time	(3) Foreign exchange hedging operations	all the members present, the case was approved without objection	all the members present, the case was approved without objection	Agreed
		(4) The Company reviews quarterly whether the accounts receivable should be transferred to others.			
2023..9.28	The 2 <sup>nd</sup> meeting The 7th time	(1) The Company reviews the 「Regulations Governing the Preparation of Financial Reports」.	all the members present, the case was approved without objection	all the members present, the case was approved without objection	Agreed
		(2) Opulence Optonics Co., Ltd investment case.			

2023.11.10	The 2 <sup>nd</sup> Meeting The 8th time	(1) Consolidated financial statements for the third quarter of 2023 (2)The Company reviews 「 Enforcement Rules of the Personal Information Protection Act 」 (3)The Company reviews 「 The Rules of Management of the prevention of insider trading 」 (4)The Company reviews quarterly whether the accounts receivable should be transferred to others.	all the members present, the case was approved without objection	all the members present, the case was approved without objection	Agreed																											
2023.12.21	The 2 <sup>nd</sup> Meeting The 9th time	(1) Proposed 2024 annual budget 2023. (2) Discussed the year-end bonus and performance bonus for managers for fiscal (3) Information manager appointment. (4)Chief Executive's position adjustment	all the members present, the case was approved without objection	all the members present, the case was approved without objection	Agreed																											
2024.3.8	The 2 <sup>nd</sup> Meeting The 10th time	(1)2023 financial statements (including consolidated and individual financial statements), operating reports and financial statements (2)The Company's reviews 「 Regulations Governing Procedure for Board of Directors Meetings 」 (3)The Company's reviews the 「 Corporate Governance Best Practice Principles 」 (4)The Company's reviews 「 Audit Committee Charter 」 (5)The Company's formulate the 「 Preparation and Verify of Sustainability Reports 」 (6)2023 Internal Control System and Statement. (7) Case of assessing the independence of certified accountants and their affiliated joint accounting firms. (8)2024-2026 Financial visa at public expense. (9) The Company reviews quarterly whether the accounts receivable are required to be transferred to others. (10)2024 Assurance services List	all the members present, the case was approved without objection	all the members present, the case was approved without objection	Agreed																											
2024.5.10	The 2 <sup>nd</sup> Meeting The 11th time	(1) Consolidated financial statements for the first quarter of 2024. (2) Endorsement of guarantee for loans from FERRULE PRECISION CO. (3)The Company reviews quarterly whether the accounts receivable should be transferred to other parties.	all the members present, the case was approved without objection	all the members present, the case was approved without objection	Agreed																											
<p>(2) Except for the matters described in the preceding paragraph, other matters not approved by the Audit Committee and approved by two-thirds or more of all directors: None.</p> <p>2. The recusal of the independent directors from the implementation of the interested parties' motions, including the names of the independent directors, the content of the motions, the reasons for the recusal and their participation in the voting: None.</p> <p>3. Communication between the independent directors and the internal auditors and certified public accountants (including significant matters, methods and results of communication regarding the Company's financial and business conditions):</p> <p>(1) Communication between the independent directors and the internal auditors and certified public accountants: The independent directors of the Company have direct contact with the internal auditors and certified public accountants. In accordance with the regulations of the competent authorities, the Company conducts regular audits of the Company's financial and business conditions and communicates directly with the management and governance units.</p> <p>1 ) Communication between the independent directors and the internal auditors and certified public accountants: The independent directors have direct contact with the internal auditors and CPAs of the Company.</p> <p>1. The Company's internal audit manager regularly conducts internal audit reports at the quarterly audit committee meetings, and has fully communicated with the Company regarding the execution of audit operations, the tracking of audit deficiencies and their effectiveness; the internal audit manager not only provides written audit reports to the independent directors on a monthly basis but also conducts project business reports to the independent directors at least once a year through a separate meeting.</p> <p>2. The Company's certified public accountant shall, at least twice a year, conduct annual audit planning and audit summary reports to the independent directors through separate meetings, as well as other communication matters required by relevant laws and regulations.</p> <p>(2) Communication between the independent directors and the internal auditors is good. The independent directors have no other recommendations. A summary of the major communications for fiscal year 2023 is as follows.</p> <table border="1"> <thead> <tr> <th>Date and Communication Method</th> <th>Communication key point</th> <th>Communication results</th> </tr> </thead> <tbody> <tr> <td>2022.3.9 The Board Meeting</td> <td>(1) Audit results and improvement tracking results. (2) Progress of auditing and reporting operations. (3) Progress of annual internal control self-assessment.</td> <td>After discussion and communication, no objection was raised.</td> </tr> <tr> <td>2023.5.9 The Board Meeting</td> <td>(1) Audit results and improvement tracking results. (2) Audit the progress of reporting operations.</td> <td>After discussion and communication, no objection was raised.</td> </tr> <tr> <td>2023.8.10 The Board Meeting</td> <td>(1) Audit results and improvement tracking results. (2) Audit the progress of reporting operations.</td> <td>After discussion and communication, no objection was raised.</td> </tr> <tr> <td>2023.11.10 The Board Meeting</td> <td>(1) Audit results and improvement tracking results. (2) Audit the progress of reporting operations.</td> <td>After discussion and communication, no objection was raised.</td> </tr> <tr> <td>2023.12.21 The Board Meeting</td> <td>(1) 2024 Annual Audit Plan.</td> <td>After discussion and communication, no objection was raised.</td> </tr> </tbody> </table> <p>(3) The communication between the independent directors and the certified public accountants was good and the independent directors had no other recommendations. a summary of the major communication items for FY 2023 is as follows.</p> <table border="1"> <thead> <tr> <th>Date and Communication Method</th> <th>Communication key point</th> <th>Communication results</th> </tr> </thead> <tbody> <tr> <td>2023.3.9 Checking and aggregation stage communication meeting</td> <td>Communication to the Independent Director on the 2022 audit summary. 1, Group audit scope and methodology 2, Identification of significant risks and responses 3, Individual and consolidated key audits</td> <td>After discussion and communication, no objection was raised.</td> </tr> <tr> <td>2023.12.21 Checking and aggregation stage communication meeting</td> <td>Communication to the Independent Director on the 2023 audit summary. 1, Group audit scope and methodology 2, Identification of significant risks and responses 3, Individual and consolidated key audits</td> <td>After discussion and communication, no objection was raised.</td> </tr> </tbody> </table>						Date and Communication Method	Communication key point	Communication results	2022.3.9 The Board Meeting	(1) Audit results and improvement tracking results. (2) Progress of auditing and reporting operations. (3) Progress of annual internal control self-assessment.	After discussion and communication, no objection was raised.	2023.5.9 The Board Meeting	(1) Audit results and improvement tracking results. (2) Audit the progress of reporting operations.	After discussion and communication, no objection was raised.	2023.8.10 The Board Meeting	(1) Audit results and improvement tracking results. (2) Audit the progress of reporting operations.	After discussion and communication, no objection was raised.	2023.11.10 The Board Meeting	(1) Audit results and improvement tracking results. (2) Audit the progress of reporting operations.	After discussion and communication, no objection was raised.	2023.12.21 The Board Meeting	(1) 2024 Annual Audit Plan.	After discussion and communication, no objection was raised.	Date and Communication Method	Communication key point	Communication results	2023.3.9 Checking and aggregation stage communication meeting	Communication to the Independent Director on the 2022 audit summary. 1, Group audit scope and methodology 2, Identification of significant risks and responses 3, Individual and consolidated key audits	After discussion and communication, no objection was raised.	2023.12.21 Checking and aggregation stage communication meeting	Communication to the Independent Director on the 2023 audit summary. 1, Group audit scope and methodology 2, Identification of significant risks and responses 3, Individual and consolidated key audits	After discussion and communication, no objection was raised.
Date and Communication Method	Communication key point	Communication results																														
2022.3.9 The Board Meeting	(1) Audit results and improvement tracking results. (2) Progress of auditing and reporting operations. (3) Progress of annual internal control self-assessment.	After discussion and communication, no objection was raised.																														
2023.5.9 The Board Meeting	(1) Audit results and improvement tracking results. (2) Audit the progress of reporting operations.	After discussion and communication, no objection was raised.																														
2023.8.10 The Board Meeting	(1) Audit results and improvement tracking results. (2) Audit the progress of reporting operations.	After discussion and communication, no objection was raised.																														
2023.11.10 The Board Meeting	(1) Audit results and improvement tracking results. (2) Audit the progress of reporting operations.	After discussion and communication, no objection was raised.																														
2023.12.21 The Board Meeting	(1) 2024 Annual Audit Plan.	After discussion and communication, no objection was raised.																														
Date and Communication Method	Communication key point	Communication results																														
2023.3.9 Checking and aggregation stage communication meeting	Communication to the Independent Director on the 2022 audit summary. 1, Group audit scope and methodology 2, Identification of significant risks and responses 3, Individual and consolidated key audits	After discussion and communication, no objection was raised.																														
2023.12.21 Checking and aggregation stage communication meeting	Communication to the Independent Director on the 2023 audit summary. 1, Group audit scope and methodology 2, Identification of significant risks and responses 3, Individual and consolidated key audits	After discussion and communication, no objection was raised.																														

(3)Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary Description	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	<input checked="" type="checkbox"/>		The Company has established its “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” on March 12, 2020.	Same as summary description ◦
2.Shareholding structure & shareholders’ rights (1) Has the Company established internal operating procedures to deal with shareholders’ suggestions, queries, disputes and litigations, and managed these based on the procedures?  (2) Does the Company have a list of its major shareholders as well as the ultimate owners of those shares?  (3) Has the Company established and executed a risk management and firewall system within its conglomerate structure?  (4) Has the Company established internal rules against using undisclosed information for insider trading?	<input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>		The Company has a spokesperson and a proxy spokesperson to handle shareholder proposals, disputes and other issues.  In accordance with Article 25 of the Securities and Exchange Act, changes in the shareholdings of insiders, managers and shareholders whose shares exceed 10% are reported monthly on the website of the Public Information Observation Post System designated by the Securities and Futures Bureau.  The Company has established various risk control mechanisms. It has also established relevant operating, business and financial transactions with its affiliates and provided guidance to its subsidiaries in establishing written control systems to implement risk control mechanisms for its subsidiaries.  The Company has established the "Procedures for Prevention of Insider Trading" and "Codes of Ethical Conduct" to prohibit insiders from trading marketable securities using unpublicized information. On March 9, 2022, the Board of Directors approved amendments to the "Corporate Governance Best Practice Principles" to prohibit insiders from trading their shares during the closed period of 30 days prior to the announcement of the annual financial report and 15 days prior to the announcement of the quarterly financial report.	No major differences yet. ◦
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?  (2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	<input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>		The Company's Corporate Governance Best-Practice Principles govern the Board of Directors approach to diversity, including but not limited to the following two major criteria. (1) Basic criteria and values (2) Professional knowledge and skills For the actual achievement of all four management objectives, please refer to pages 12~13: Director Diversity Policy and Implementation.  In addition to the remuneration committee and audit committee established by law, the Company has not established other functional committees, which will be evaluated as necessary in the future.	No major differences yet. ◦

Evaluation Item	Implementation Status		Summary Description	Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No		
(3) Does the Company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The Board of Directors established the "Board of Directors' Performance Evaluation Method" on November 4, 2020, and the performance evaluation was performed annually in accordance with the methodology and method of evaluation. The evaluation results for 2023 were reported to the Board of Directors on March 8, 2024, and the evaluation results were all in compliance with the standards. The performance evaluation results of each year were provided to the Remuneration Committee as a reference for individual director's remuneration and nomination for re-appointment. The results will be used as a reference for individual director's remuneration and nomination for reappointment.	
(4) Does the Company regularly evaluate the independence of CPAs?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The Company conducts an annual assessment of the independence and suitability of its certified public accountants and provides The Company conducts an annual evaluation of the independence and suitability of the certified public accountants and submits it to the Board of Directors for approval. The evaluation of the independence and appropriateness of the accountants for 2023 (Note 1) was discussed and approved by the Board of Directors on March 8, 2024.	
4. Does the Company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The Company's Finance Department is a dedicated corporate governance unit responsible for corporate governance-related matters and is supervised by the Chief Executive Officer. Corporate governance-related matters, including the following.  1. To register and change the registration of the company.  2. To handle matters related to the meetings of the board of directors and shareholders' meetings in accordance with the law and to assist the Company in complying with the relevant laws and regulations of the board of directors and shareholders meetings.  3. Prepare minutes of board meetings and shareholders' meetings.  4. To provide directors and independent directors with information necessary for the performance of their duties and to assist directors and independent directors in complying with the latest legal and regulatory developments related to the operation of the Company. Other matters in accordance with the Company's articles of incorporation or contract.	No major differences yet. °
5. Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The Company has set up a stakeholder area on the Company's website. We usually communicate with our bank, employees, customers and suppliers by phone or e-mail. We respect their legitimate rights and interests, and handle their responses appropriately. The Company respects the legitimate rights and interests of the stakeholders and handles their responses appropriately.  The Company has set up a stakeholder area on the Company's website. We usually communicate with our bank, employees, customers and suppliers by phone or e-mail. We respect their legitimate rights and interests, and handle their responses appropriately. The Company respects the legitimate rights and interests of the stakeholders and handles their responses appropriately.	No major differences yet. °

Evaluation Item	Implementation Status		Summary Description	Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No		
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	<input type="checkbox"/>		The sales and trading department of Master Link Securities Co., Ltd. was appointed to conduct the shareholders' meeting.	No major differences yet.
7. Information Disclosure (1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?  (2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?  (3) Does the Company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?	<input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>	Investors of the Company may access the Company's website. The Company's website and Market Observation Post System provide financial and corporate governance information.  The Company has set up a website in English ( <a href="http://www.nextapogee.com.tw/en/news.php">http://www.nextapogee.com.tw/en/news.php</a> ), which designates a person responsible for the collection and disclosure of company information. In addition, a spokesperson system is established to clearly define the division of responsibilities and powers of spokespersons, and to disclose information to all investors and the media in an open and transparent manner at the same time to implement the spokesperson system.  The Company announces and reports all information (including annual financial report) to the public before the deadline in accordance with the law, and considering the manpower and work situation, there is no plan to announce earlier.	Same as summary description
8. Does the Company have other important information that can help understand the operation of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, director and supervisor training, implementation of risk management policies and risk measurement standards, implementation of customer policies, and the Company's purchase of liability insurance for directors and supervisors, etc.)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	1. The Company encourages direct communication between employees and management to appropriately reflect the opinions of employees on major decisions regarding the Company's operations or employee interests. 2. The Company has established a public information reporting network in accordance with the regulations to provide information that may affect the decisions of investors and interested parties. 3. The directors and supervisors of the Company attend training from time to time. 4. Implementation of risk management policies and risk measurement standards: Not applicable (for securities dealers) 5. Enforcement of consumer or customer protection policies: Not applicable (for securities dealers) 6. The Company has taken out liability insurance for all directors and supervisors since April 2018 and renewed the insurance policy in April 2024.	No major differences yet.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary Description	
<p>9. Please describe the improvements that have been made to the results of the Corporate Governance Assessment released by the Taiwan Stock Exchange Corporation in the most recent year and propose priorities and measures to enhance those that have not yet been improved. (Not required for companies not included in the assessment). The improvements to be made in FY2024 are as follows.</p> <ol style="list-style-type: none"> <li>1. 1.7 : The Company has already simultaneously upload the shareholders' meeting manual and meeting supplementary information 30 days before the regular shareholders' meeting.</li> <li>2. 1.9 : The company has already simultaneously upload the English version of the meeting notice, shareholders' meeting manual and meeting supplementary materials 30 days before the regular shareholders' meeting.</li> <li>3. 3.2 : The company has already publish important information in English on 2024.</li> </ol> <p>The Company will continue to plan for the improvement of the remaining evaluation issues in 2024 and subsequent years.</p>				

Note 1 : CPAs' independence and suitability evaluation procedure

Evaluation Item		Evaluation Result	Whether it meets independence
<b>1. Financial benefits</b>			
i	Do the members of the audit team and their families have any direct financial interest or significant indirect financial interest in the Company? Do they have any direct financial interest or material indirect financial interest in the Company?	Yes	V
ii	Do the other certified public accountants and their families have no direct financial interest or significant indirect financial interest in the Company? Do they have any direct financial interest or significant indirect financial interest in the Company?	Yes	V
iii	Are there any direct financial interests or significant indirect financial interests between the CPA firm and its affiliates and the Company? Do you have any direct financial interest or significant indirect financial interest in the Company?	Yes	V
<b>2. Financing and Guarantee</b>			
i	Is there any mutual financing or assurance between the Company and the firm, the firm's affiliates, and the audit service team members?	Yes	V
<b>3. Business Relationships</b>			
i	Is there no close business relationship between the firm, its affiliates and the audit team members and the Company or the Company's Are there any close business relationships between the directors, supervisors, and managers of the Company? Such relationships include, for example, the following: Strategic alliances with the Company or its controlling shareholders, directors, supervisors, or managers that have significant interest. A firm or firm-affiliated company that allies its service offerings or products with those offered by the Company and markets them externally at the same time. A firm or a firm-affiliated company and the Company that mutually promotes or market their products or services for the benefit of each other.	Yes	V
ii	Are the Company selling goods or providing services to a firm, or is the firm related to a corporation or a member of an audit service group, in the normal course of business?	No such things	V
<b>4. Family and Personal Relationships</b>			
i	Are there any members of the audit service team who are not directors, supervisors, managers or have direct and significant influence on the audit work of the Company, or who have held such positions during the audit period?	Yes	V
ii	Are there any members of the audit service team who are not directors, supervisors, managers or have direct and significant influence on the audit work of the Company, or who have held such positions during the audit period?	Yes	V
<b>5. Employment Relationships</b>			
i	Are there any members of the audit service team who are not directors, supervisors, managers or have direct and significant influence on the audit work of the Company, or who have held such positions during the audit period?	Yes	V
ii	If a member of the audit services team, a CPA or a retired CPA from a firm is employed by the Company, please consider the following circumstances to determine the extent to which the independence of the CPA is affected. . the position held with the Company. . the length of time the accountant has been employed by the Company since the firm's departure. . Importance of past positions held in the firm.	None	V
iii	Are there any members of the audit service team known to be employed by the Company in future periods?	Yes	V
iv	Are there any members of the audit services team known to be employed by the Company in future periods? Are there any accountants or employees of the accounting firm or firm's affiliates who provide services as directors, supervisors, managers or equivalent positions for the Company	Yes	V
<b>6. Gifts and Special Offers</b>			
i	Are the Company's gifts or special offers to members of the Audit Services Group normal social courtesies or business practices that are not of significant value and do not have any motive or intent to influence professional decisions or to obtain confidential information?	Yes	V

Evaluation Item		Evaluation Result	Whether it meets independence
7. Rotation of CPAs			
i	Does an accountant serve as the Company's principal accountant for no more than seven years and must be rotated at least two years before returning? What is the interval between rotations?	Yes	V
8. Non-audit business			
i	Ask the accountant about the details of the non-audit business provided by the Company and its impact on independence. What is the impact on the Company's independence?	Yes (Note)	V
9. An independence statement from the auditors and an assessment of the auditors' independence and suitability based on Audit Quality Indicators (AQIs) were conducted.			
i	Obtaining the independence statement from the auditor addressed to the Audit Committee (or equivalent governing body, if no Audit Committee is present).	Yes	V
ii	Obtaining the evaluation report from the CPA firm based on Audit Quality Indicators (AQIs), confirming that the CPA firm has met the requirements for independence and suitability certification.	Yes	V

Note: The confirmed list of approved services for non-audit engagements in 2024, along with the independence assessment checklist, has been reviewed, and it is determined that it will not have a significant impact on independence.

(4)Composition and Operation of the Remuneration Committee :

A.In accordance with "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange In accordance with the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange", the Company approved the establishment of the "Remuneration Committee" and the establishment of its organizational regulations at the Board of Directors' meeting on October 3, 2013. In accordance with Article 5 of the Organizational Regulations of the Compensation Committee, the Compensation Committee shall consist of three members, and the fourth Remuneration Committee member was appointed by the Board of Directors as Independent Director Mr. Zheng Youren, Ms. Cheng Yunyao and Mr. Chung Chienwen.

Information on the members of the Remuneration Committee

Title (Note 1)	Criteria	Professional qualification and experience	Independence	Number of other public companies in which the individual is concurrently serving as a remuneration committee member	Remark
	Name				
Independent Director	Zheng Youren	Please see page 10-12 for the Director's professional qualifications and independence disclosure.	<p>All Remuneration Committee members are in compliance with "Article 14-6 of the Securities and Exchange Law promulgated by the Financial Supervisory Commission" and "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange", Article 6 related to independence.</p> <ul style="list-style-type: none"> <li>The director, spouse, or a relative within the second degree of consanguinity is not a Director, Supervisor or employee of the Company or its affiliates.</li> <li>The director, my spouse, or a relative within the second degree of consanguinity (or using the name of another person) do not hold shares and weightings in the Company.</li> <li>not be a director, supervisor or employee of a company with a specific relationship with the Company.</li> <li>have not provided any remuneration for business, legal, financial, or accounting services to the Company or its affiliates in the last 2 years.</li> </ul> <p>All independent directors have been given the power to fully participate in decision-making and express opinions in accordance with Article 14-3 of the Securities and Exchange Act, and accordingly execute relevant powers independently.</p>	1	None
Independent Director	Cheng Yunyao	Please see page 10-12 for the Director's professional qualifications and independence disclosure.		1	None
Independent Director	Chung Chienwen	Please see page 10-12 for the Director's professional qualifications and independence disclosure.		None	None

Note 1: Please fill in the identity as Director, Independent Director or Other.

B. The Compensation Committee is responsible for evaluating the Company's overall compensation and benefits policies, as well as the compensation policies and systems of the Company's Directors, Supervisors and managers, in a professional and objective manner, and making recommendations to the Board of Directors for their reference in making decisions. The Committee will make recommendations to the Board of Directors for their reference in making decisions. The fourth session of the Board meeting on December 23, 2022, and the member of Committee elected Mr. Zheng Youren, Independent Director, as the convener and chairman of the meeting.

C. Information on the operation of the Remuneration Committee :

- (a) There are four members of the Remuneration Committee of the Company.
- (b) The term of office of the current committee members: from June 14, 2022 to June 13, 2025, the salary and remuneration committee has held 4 meetings (A) in the most recent year and as of the publication date of the annual report. The qualifications and attendance of the members are as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B/A 】 (Note)	Remarks
Convener	Zheng Youren	4	0	100%	
Member	Cheng Yunyao	4	0	100%	
Member	Chung Chienwen	4	0	100%	
Other matters that shall be recorded:					
1. If the Board of Directors does not adopt or amend the recommendation of the Compensation Committee, it shall state the date, date and period of the Board of Directors' meeting, the content of the resolution, the result of the Board of Directors' resolution and the Company's handling of the recommendation of the Compensation Committee (if the compensation approved by the Board of Directors is better than the recommendation of the Compensation Committee, it shall state the difference and the reasons for the difference): None.					
2. If the members of the Compensation Committee have any objections or reservations and there are records or written statements, the date, period, content of the resolution, opinions of all members and the handling of the opinions of the Compensation Committee should be stated: None.					
3. A summary of the major communication items and resolutions for the fiscal year 2023 was as follows.					
<b>Remuneration Committee</b>	Content of the proposal			Resolution result	
4 <sup>th</sup> -2 <sup>th</sup> (2023.3.9)	The appropriation of directors' and supervisors' remuneration and employees' remuneration in 2022			The content of the proposal listed on the left was passed by the Remuneration Committee without objection and submitted to the Board of Directors of the Company for approval.	
4 <sup>th</sup> -3 <sup>th</sup> (2023.12.21)	1.The nomination for the Chairperson of the Compensation and Remuneration Committee. 2.The Information Security Manager Appointment. 3.Chief Executive's adjustment.			The content of the proposal listed on the left was passed by the Remuneration Committee without objection, and submitted to the Board of Directors of the Company for approval.	
4 <sup>th</sup> -4 <sup>th</sup> (2024.3.8)	The year-end bonus and performance bonus for the managers of the Company for fiscal year 2023.			The content of the proposal listed on the left was passed by the Remuneration Committee without objection, and submitted to the Board of Directors of the Company for approval.	
4 <sup>th</sup> -5 <sup>th</sup> (2024.5.10)	The Manager promotion and salary adjustment			The content of the proposal listed on the left was passed by the Remuneration Committee without objection, and submitted to the Board of Directors of the Company for approval.	

Note:

- (1) If a member of the Compensation Committee leaves the Company before the end of the year, he/she should indicate the date of departure in the Remarks column, and the actual attendance rate (%) is calculated based on the number of meetings of the Compensation Committee and his/her actual attendance during his/her employment.
- (2) If there is a re-election of the Compensation Committee before the year-end date, both new and old members of the Compensation Committee should be listed, and the date of re-election should be indicated in the Remark column as the old, new or re-elected member. The actual attendance rate (%) is calculated based on the number of meetings of the Compensation Committee and the actual attendance during the term of employment.

(5) Important resolutions and implementation of the shareholders' meeting.

APOGEE OPTOCOM held its 2023 Annual General Meeting of Shareholders on June 6, 2023 in Tainan. The following items were approved by the shareholders at the meeting and the status of implementation.

A. Recognition of the 2022 Business Report and Financial Statements: The 2022 Business Report and Financial Statements were recognized, with consolidated revenue of NT\$623,993 thousand, net income of NT\$89,570 thousand, and earnings per share of NT\$2.33.

B. Motion to approve the distribution of earnings for 2022

Implementation: Approved the distribution of cash dividends of NT\$2.0 per common share. The ex-dividend date is July 4, 2023, and the cash dividend was paid on July 26, 2023.

C. Approved the amendment of Articles of Association Implementation status

Implementation: Approved the amendment of Articles of Association on June 19, 2023.

D. Approved the amendment of the Company's internal regulations as follows.

- Sustainable Development Best Practice Principles
- The Corporate Governance Best Practice Principles
- The Rules of Procedure for Board of Directors Meetings
- The Rules of Procedure for Shareholders Meetings.

Implementation: Approved. The execution of the resolutions of the shareholders' meeting.

E. Election: None.

(6)Fulfillment of CSR and Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"

Item	Implementation (Note 1)		Summary Description	Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No.		
1. Does the Company has establish a dedicated position to promote corporate social responsibility. This position may be held by a full-time or part-time staff member. The Board of Directors has authorized the senior management to handle CSR-related matters and report on the progress to the Board of Directors?		<input checked="" type="checkbox"/>	The Company has not yet set up a dedicated (part-time) unit to promote corporate social responsibility.	The Company has proposed to amend the "Corporate Social Responsibility Practice" on March 12, 2020. Based on the company's business scale and characteristics, gradually promote the implementation of corporate social responsibility and full-time (part-time) units in 2024.
2.Does the Company has accordance with the principle of materiality, the company conducts risk assessments on environmental, social, and corporate governance (ESG) issues related to its operations. Based on the assessment, the company establishes relevant risk management policies or strategies.		<input checked="" type="checkbox"/>	The Company has established the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and disclosed its operations on the Company's website.	No major differences yet. °
3. Environmental issues (1) Does the Company establish proper environmental management systems based on the characteristics of their industries?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Our company promotes the environmental management system which has obtained ISO14001 environmental management system certification and is regularly verified.	No major differences yet. °
(2) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Our company is committed to the implementation of industrial waste reduction, resource separation and recycling activities to maintain the earth's resources and protect environmental health.	No major differences yet. °
(3)Does the Company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Our environmental protection strategy combines the spirit of energy saving, carbon reduction and greenhouse gas reduction. 1. Effective operation of the environmental management system, implementation of environmental management, pollution prevention and control of the spirit of continuous improvement to reduce environmental impact. 2. Strengthen the process improvement, pollution prevention equipment operation control, in line with the environmental protection requirements of regular inspection and meet the requirements of the law. 3. Energy saving and carbon reduction, recycling, and reuse, reduce resource consumption to implement pollution prevention. 4. Strengthen education and training to enhance the awareness of environmental protection of all employees to thoroughly implement environmental responsibility.	No major differences yet. °
			Implementation (Note 1)	Deviations from "the Corporate

Item	Yes	No.	Summary Description	Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
(4) Does the Company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management? ?		✓	In the past two years, the Company has only established a policy to reduce water consumption and to keep statistics on water consumption and waste.	
4. Social Issues				
(1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		The Company has established the "Company Management Regulations" and its labor rights and obligations comply with labor laws and regulations and respect the internationally recognized basic labor human rights principles without gender, age, ethnicity, or religion differences. There is no difference in gender, age, ethnicity, or religion.	
(2) Does the Company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries? ?	✓		The Company follows the Labor Standards Act and related laws and regulations to establish various employee welfare measures and provide competitive salaries. In addition, the Company has established a reward system such as performance bonuses and employee compensation, which not only considers the Company's overall operating performance, future operating risks and development trends of the industry, but also takes into account the individual's performance achievement rate and contribution to the Company's performance, and provides reasonable compensation, which has a positive correlation with operating performance.	
(3) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		The company is responsible for maintaining the safety and health of the workplace and the environment. We conduct regular inspections and spot checks, and request improvements when the safety and health environment is not in compliance. Workplace Health and Safety Rules" have been established for employee work environment and equipment management and are implemented and enforced. Regular employee safety and health education and training are conducted to ensure the provision and continuous improvement of a safe and healthy work environment for employees.	No major differences yet. °
(4) Does the Company provide its employees with career development and training sessions ?	✓		We conduct an annual survey of Year's education and training programs to evaluate course offerings and conduct related training based on unit needs.	
(5) Do the Company's products and services comply with relevant laws and international standards in Relationship to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?	✓		The labeling and logo of our products are handled in accordance with the characteristics of each product, customer requirements and local regulations. The sales department is responsible for handling customer complaints and grievances.	

Evaluation Item	Implementation(Note 1)			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary Description	
(6) Does the Company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.	✓		The company continues to work with suppliers to improve product compliance with green standards, and has established a supplier evaluation system and will promote suppliers to sign the Code of Ethics and Supplier Code of Conduct in 2021 in a joint effort to enhance corporate social responsibility.	
5. Does the Company reference internationally accepted reporting standards or guidelines, and prepares reports that disclose non-financial Information on the Company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third-party verification unit?	✓		The Company has prepared a CSR report for 2022 and has received an opinion of assurance from Ernst & Young. it is expected that the report will be maintained for 2023.	No major differences yet.
6. Describe the difference, if any, between actual practice and the corporate social responsibility principles, if the Company has implemented such principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies: None °				
7. Other useful information for explaining the status of corporate social responsibility practices: 1. Our company has obtained ISO14001 certification and complies with the environmental management series standards and the corporate social responsibility indicators contained therein. 2. We follow the "Workplace Health and Safety Rules" established by the Labor Safety and Health Act to maintain employee safety and health. 3. Obtain the required environmental management certification, maintain and continuously improve it, and conduct operations, records and reports in accordance with the regulations. 4. Information about the Company's operations related to the promotion of corporate sustainable development is disclosed in the CSR section of the Company's website at <a href="http://www.nextapogee.com.tw/ch/csr.php">http://www.nextapogee.com.tw/ch/csr.php</a>				

(7) The implementation status of climate-related information is as follows:

Item	Execution situation
1. The Board of Directors and management team provide oversight and governance regarding climate-related risks and opportunities. They are responsible for ensuring that the company identifies, assesses, and manages climate-related risks in a proactive manner.	(1) The Board of Directors serves as the highest governing body responsible for climate governance. The Board regularly oversees the company's overall sustainability development strategy and the progress towards its goals. However, at present, there is no dedicated unit specifically responsible for addressing climate-related risks and opportunities under the Board of Directors. (2) According to the ESG report and the "Sustainable Development Roadmap for Listed Companies," the greenhouse gas inventory and verification timeline, among other aspects, are currently handled by the shareholder services unit. The shareholder services unit is responsible for compiling the annual ESG report each year and reporting the progress of the greenhouse gas inventory and verification timeline to the Board of Directors on a quarterly basis. Currently, the management of climate-related risks and opportunities is being handled by the shareholder services unit.
2. The Company how to distinguish the climate risks and opportunities affect a company's business, strategy and finances in the short, medium and long term	Refer to Note 1 : TCFD climate-related risks and opportunities identification table in 2023.
3. The impact of extreme weather events and transition actions on finances.	Refer to Note 1 : TCFD climate-related risks and opportunities identification table in 2023.
4. How climate risk identification, assessment, and management processes are integrated into the overall risk management framework.	Refer to Note 1 : TCFD climate-related risks and opportunities identification table in 2023.
5. When assessing resilience to climate change risks, it is important to provide an explanation of the scenario, parameters, assumptions, analysis factors, and key financial impacts used in the scenario analysis.	None.
6. In response to managing climate-related risks, please provide an explanation of the content of the transition plan and the indicators and objectives used to identify and manage physical risks and transition risks.	None.
7. Using internal carbon pricing as a planning tool requires an explanation of the price-setting foundation.	None.
8. When setting climate-related goals, it is important to provide an explanation of the activities covered, scope of greenhouse gas emissions, timeline, and progress achieved annually. If carbon offsets or Renewable Energy Certificates (RECs) are used to meet these goals, the source and quantity of carbon offsets or the number of RECs should be specified.	None.
9. Greenhouse Gas Inventory and Assurance Status.	Complete greenhouse gas inventory for Scope 1 and Scope 2 emissions and expect external verification of greenhouse gas emissions by July 2026.

Note 1 : 2023 TCFD climate-related risks and opportunities identification table

Type	Key Factors / Risk Issues	Impact degree	Impact time	Risk	Chance	Financial impact	Strategic response
Transformation Risk	regulations : Greenhouse Gas Control	High	Short term	1.Low carbon technology, equipment and management cost input 2. Total carbon emission and carbon trading, carbon fee and carbon tax system	1. Smart low-carbon production 2. Participate in carbon trading 3. Differentiation enhances competitiveness	1.Capital expenditures 2.operating costs	1. Planning a carbon reduction roadmap and moving towards carbon neutrality in the long run. 2. Promoting energy saving and carbon reduction programs. 3. Replace low-energy resource-using equipment. 4. waste recycling
	Market : low carbon technology 1. renewable energy 2. Carbon Capture, Utilization and Storage (CCUS)	High	Mid term	Renewable Energy Regulations and Procurement	1. Expansion of new energy business 2. Carbon capture technology development and application	1.Capital expenditures 2.operating costs	1. Invest in improving energy efficiency equipment. 2.Look for opportunities to build solar power generation devices 3.Actively look for new energy sources such as wind power, biomass energy, geothermal energy, and organic solvent cracking power generation
	Market : 1. Environmental protection and sustainable products. 2. Green Supplier Verification (Bluesign, ZDHC, Higg Index)	High	Short term	R&D technology and cost input	Improve product competitiveness	1.Capital expenditures 2.operating costs	1. Continue to invest in R&D funds to enhance R&D energy. 2.Actively improve the product passing inspection rate.
Physical risk	typhoon, flood	High	Short term	Heavy rainfall/severe typhoon floods lead to increased transportation and equipment maintenance costs	Strengthen operational resilience	operating costs	1.Establish a real-time monitoring system for rainfall, water levels, and water conditions to establish a coordinated mechanism for emergency response in production and distribution. 2.Make effective use of real-time information from the Water Resources Agency to monitor water conditions and develop strategies to address water shortages. 3.War management: Adopt optimal inventory management and flexible transportation scheduling to optimize supply chain operations. 4.Implement water-saving processes and projects.

(8)Fulfillment of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons

Evaluation Item	Implementation (Note 1)			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary Description	
1. Establishment of ethical corporate management policies and programs (1) Does the Company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy? ✓			The Company has established the "Ethical Corporate Management Best Practice Principles", which is supervised by the Management Department, and in case of dishonest behavior, it will handle the matter and review the improvement measures to the Board of Directors. In case of dishonest behavior, the management department will report to the Board of Directors on how to handle the situation and review the improvement measures.	No major differences yet. °
(2) Does the Company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the Company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies? ✓			The Company has announced the "Ethical Corporate Management Best Practice Principles" to all employees, and has conducted education and training for new employees when they report for duty. The risk assessment mechanism has not yet been established, but it will be improved in FY2024.	
(3) Does the Company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the Company enforce the programs above effectively and perform regular reviews and amendments? ✓			The Company analyzes the business activities with higher risk of dishonest behavior in the business area and strengthens the following preventive measures: 1. Bribery and accepting bribes. 2. Making illegal political contributions. 3. Improper charitable donations or sponsorships. 4. Providing or accepting unreasonable gifts, hospitality or improper benefits.	
2. Fulfill operations integrity policy (1) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts? ✓			The Company has established the "Ethical Corporate Management Best Practice Principles" to follow. When conducting business activities, the Company will consider the integrity records of its counterparties before dealing with them and promote suppliers to sign the "Code of Ethics and Supplier Code of Conduct" in 2021, giving priority to companies that have signed the commitment to operate with integrity. The Company will also promote the signing of the Code of Ethics and Supplier Code of Conduct by suppliers in 2021.	

Evaluation Item	Implementation (Note 1)			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary Description	
(2) Does the Company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	To improve the management of integrity management, the Management Department is responsible for formulating and monitoring the implementation of integrity management policies and prevention programs and reports to the Board of Directors from time to time.	No major differences yet. °
(3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	<input checked="" type="checkbox"/>		The Company has established "Ethical Corporate Management Best Practice Principles" to prevent conflicts of interest. In addition to a physical mailbox for employees to make representations, the Company also has an Email communication channel for external parties such as suppliers in the "Code of Ethics and Supplier Code of Conduct".	
(4) Does the Company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?	<input checked="" type="checkbox"/>		To ensure the implementation of the integrity management, the Company has established an effective accounting system and internal control system, and internal auditors regularly review the compliance of the preceding system.	
(5) Does the Company regularly hold internal and external educational trainings on operational integrity?	<input checked="" type="checkbox"/>		The Company conducts regular educational training in accordance with the Ethical Corporate Management Best Practice Principles.	
3.Operation of the integrity channel (1) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up	<input checked="" type="checkbox"/>		The company provides proper reporting channels and keeps the identity of the reporter and the content of the report confidential. In case of violation, we will announce and disclose the Title, Name, date of violation, the content of the violation, and the handling situation of the violator.	

Evaluation Item	Implementation (Note 1)			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary Description	
(2) Does the Company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures? ✓			The Company provides proper reporting channels in accordance with the Ethical Corporate Management Best Practice Principles and ensures the operation of confidentiality mechanisms.	No major differences yet. °
(3) Does the Company provide proper whistleblower protection? ✓			The Company provides proper reporting channels in accordance with the Ethical Corporate Management Best Practice Principles and ensures the operation of confidentiality mechanisms.	
4.Strengthening information disclosure (1) Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS? ✓			The Company has announced the "Ethical Corporate Management Best Practice Principles" on its website. The Company also discloses information related to the Ethical Corporate Management Best Practice Principles in this annual report. The Company discloses information on the Market Observation Post System on a regular basis to protect the interests of investors.	
5. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: No major differences.				
6. other important information to facilitate a better understanding of the Company's ethical corporate management policies, Ethical Corporate Management Best Practice Principles, etc.): 1. The Company complies with the Company Act, the Securities Exchange Act, the Business Accounting Act, the regulations related to listing on the stock exchange, and other business conduct related laws and regulations as the basis for the implementation of honest management. 2. The Company's "Regulations Governing Procedure for Board of Directors Meetings" provides for the recusal of the Director's interest in the Board of Directors' motions. If the Board of Directors has an interest in the Board of Directors' proposals that may be harmful to the Company's interests, the Director may present his or her opinion and answer questions, but may not participate in the discussion or vote, and shall recuse himself or herself from the discussion or vote. 3. The Company has established "management practices to prevent insider trading", and has conducted relevant education, training, and education and signed confidentiality agreements for Directors, Supervisors, managers and employees, important units related to important information, and targets of important information transmission; The Company regularly monitors the stock movements of insiders for any abnormalities and pays attention to the management and preservation of important information related documents and electronic records.				

(8) If the Company has established a code of corporate governance and related regulations, it should disclose its inquiry methods :

A. Code of Corporate Governance and related regulations: The Company has established "Codes of Ethical Conduct, Ethical Corporate Management Best Practice Principles", "Internal Control Systems", "Regulations Governing the Acquisition and Disposal of Assets", "Operational Procedures for Endorsements/Guarantees, Procedure for Lending Funds to Other Parties", "Regulations Governing Procedure for Board of Directors Meetings", "Corporate Social Responsibility Best Practice Principles", and the independent director's terms of reference and the Remuneration Committee's constitution and other relevant regulations.

B. The relevant rules and regulations of the Company are posted on the Company's website for investors' reference.

Web Site : <http://www.nextapogee.com.tw/ch/index.php>

(9) Other important information that may be disclosed to enhance the understanding of the operation of corporate governance:

A. The Company has established "Procedures for Handling Material Inside Information" and "Procedures for the Prevention of Insider Trading" as guidelines for the conduct of the Company's Directors, Supervisors, Managers and employees. The Company has established "Procedures for Handling Material Inside Information" and "Procedures for the Prevention of Insider Trading" as the guidelines for the conduct of the Company's Directors, Supervisors, Managers and employees, which stipulate that the Company's Directors, Supervisors, Managers and employees shall comply with the laws, regulations and orders, etc. that include the Insider Trading Act.

B. The Company has a "Corporate Social Responsibility" section on its website and produces an annual update of its sustainability report to reveal the effectiveness of its corporate governance efforts.

C. The relevant rules and regulations of the Company have been placed on the Company's website for investors' reference.

## (10)Implementation Status of Internal Control System

### A.Internal Control Statement ◦

#### Apogee Optcom Co., Ltd. Internal Control System and Statement

Date : March.8, 2024

The Company in 2023 is Internal Control System, based on the results of our self-assessment, we solemnly declare the following:

1. The company acknowledges that the establishment, implementation, and maintenance of the internal control system are the responsibilities of the Board of Directors and management. The company has already established this system. Its purpose is to achieve operational effectiveness and efficiency (including profitability, performance, and safeguarding of assets), provide reliable, timely, and transparent reporting, and ensure compliance with relevant regulations and laws. It aims to provide reasonable assurance in meeting these objectives.
2. The internal control system has inherent limitations, and no matter how well-designed it is, it can only provide reasonable assurance in achieving the aforementioned three objectives. Additionally, the effectiveness of the internal control system may change due to changes in the environment and circumstances. However, the company's internal control system has a mechanism for self-monitoring, and if any deficiencies are identified, the company takes corrective action to address them.
3. The Company has determined the effectiveness of the internal control system in accordance with the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Guidelines"). The Company determines the effectiveness of the design and implementation of the internal control system in accordance with the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (the "Guidelines"). The judgment item of the internal control system adopted in the Guidelines is based on the process of management control, which is divided into five components: 1) control environment, 2) risk assessment, 3) control operations, 4) information and communication, and 5) monitoring operations. 5. supervisory operations. Each component consists of a few items, which are described in the "Guidelines for Handling".
4. The Company has used the above internal control system judgment Item to evaluate the effectiveness of the design and implementation of the internal control system.
5. Based on the results of the preceding evaluation, the Company concluded that the Company's internal control system (including supervision and management of subsidiaries) as of December 31, 2023 was reliable, timely, transparent and in compliance with the relevant regulations and the relevant standards, including the understanding of the effectiveness and efficiency of operations and the extent to which the objectives were achieved. The internal control system is designed and implemented in an effective manner to ensure the achievement of the above objectives.
6. This statement will become the main content of the Company's annual report and Prospectus and will be made public. If any of the above-mentioned information is false or concealed, it will be subject to legal liability under Article 20, Article 32, Article 171 and Article 174 of the Securities Exchange Act.
7. This statement was approved by the Board of Directors at its meeting held on March 8, 2024 and among the seven directors present, none of them held any opposing views.

Apogee Optcom Co., Ltd.

Chairman : Law Lee



Signed by

President : Blue Lan



Signed by

B. If an accountant project is appointed to review the internal control system, the accountant's review report should be disclosed: None.

- (11) In the most recent year and as of the date of the annual report, the Company and its internal personnel have been punished by law, or the Company has punished its internal personnel for violating the provisions of the internal control system, and the result of the punishment may have a significant impact on shareholders' equity or securities prices. The content of the penalties, major deficiencies, and improvements: None.
- (12) Significant resolutions of shareholders' meetings and board meetings for the most recent Year and up to the printing date of the annual report.

Date	Type of Meeting	Important resolutions
2023.03.9	Board Meeting	(1) Reviewing the allocation of directors' and supervisors' remuneration as well as employee compensation for the year 2022
		(2) Financial statements (including consolidated and individual), operating reports, and statement of accounts for the year 2022
		(3) Profit distribution plan for the year 2022
		(4) Revision the company's 「 Article of Incorporation 」
		(5) Revision of the Company's 「 Sustainable Development Best Practice Principles 」
		(6) Revision the Company's 「 Rules Governing the Conduct of Shareholders' Meetings 」
		(7) Revision the Company's 「 Corporate Governance Best Practice Principles 」 .
		(8) Revision the Company's 「 Regulations Governing of Financial Reports 」
		(9) Discuss the date and venue of the 2023 annual general meeting of shareholders
		(10) 2022 「 Statement of Internal Control System 」
		(11) Appraisal of the independence of visa accountants and their joint accounting firms.
		(12) The Company reviews quarterly whether the accounts receivable should be transferred to others.
		(13) 2023 Q1 Bank loan.
		(14) Establishment of the 「 Pre-Approval Policy for Review of Non-Assurance Services. 」
2023.05.09	Board Meeting	(1) Consolidated Financial Statements for the First Quarter in 2023.
		(2) Provision of funds to FERRULE PRECISION CO.
		(3) 2023 Q2 Bank loan.
		(4) The Company reviews quarterly whether the accounts receivable should be transferred to others.
2023.06.06	Shareholders Meeting	(1) Business report and financial statements in 2022.
		(2) Surplus distribution in 2022.
		(3) Revision the Company's 「 Article of Incorporation 」 .
		(4) Establishment of the 「 Sustainable Development Best Practice Principles 」 .
		(5) Revision the Company's 「 Corporate Governance Best Practice Principles 」 .
		(6) Revision the Company's 「 Rule of Procedure for Board of Directors Meetings 」 .
		(7) Revision the Company's 「 Rules of Procedure for Shareholders Meetings 」 .
2023.08.10	Board Meeting	(1) Consolidated Financial Statements for the Second Quarter in 2023.
		(2) Provision of funds to FERRULE PRECISION CO.
		(3) Hedging foreign exchange transactions
		(4) 2023 Q3 Bank loan.
		(5) The Company reviews quarterly whether the accounts receivable should be transferred to others.
2023.09.28	Board Meeting	(1) Revision the Company's 「 Regulation of Financial Reports 」 .
		(2) Opulence Optronics Co., Ltd. Investment case.

Date	Type of Meeting	Important resolutions
2023.11.10	Board Meeting	(1) Consolidated financial statements for the third quarter of 2023.
		(2) Proposed "2024" Audit Plan.
		(3)The Company reviews 「 Enforcement Rules of the Personal Information Protection Act 」
		(4)The Company reviews 「 The Rules of Management of the prevention of insider trading 」
		(5) 2023 Q4 Bank loan.
		(6)The Company reviews quarterly whether the accounts receivable should be transferred to others.
2023.12.21	Board Meeting	(1)To prepare the budget for 2024.
		(2) Discussed the year-end bonus and performance bonus for managers for fiscal 2023.
		(3) Appointment of Information Security Manager.
		(4) Adjustment of Administrative Officer
2024.03.08	Board Meeting	(1) Reviewing the allocation of directors' and supervisors' remuneration as well as employee compensation for the year 2023
		(2)Financial statements (including consolidated and individual), operating reports, and statement of accounts for the year 2023
		(3) Deficit compensation for the year 2023
		(4) Discussion on the distribution of cash from capital surplus.
		(5) Amendment of the company's "Board of Directors Meeting Rules."
		(6)Amendment of the company's "Corporate Governance Best Practice Principles."
		(7) Amendment of the company's "Audit Committee Charter."
		(8)Formulation of the company's "Sustainability Report Preparation and Verification Procedures."
		(9)Discuss the date and venue of the 2023 annual general meeting of shareholders
		(10)Issued the "Internal Control System and Statement" for the year 2023.
		(11)Evaluation of the independence of the certified public accountants and their affiliated joint accounting firm.
		(12)2024-2026 EY Audit fees.
		(13)The Company reviews quarterly whether the accounts receivable should be transferred to others.
		(14) 2024 Q1 Bank loan.
		(15) 2024 Assurance services List.
2024.05.10	Board Meeting	(1) Consolidated financial statements for the first quarter of 2024
		(2) Provision of funds to FERRULE PRECISION CO.
		(3) 2024 Q2 Bank loan.
		(4)Review quarterly whether the accounts receivable should be transferred to others.
		(5)Manager promotion and salary adjustment.

(13)For the most recent year and as of the date of the annual report, the directors or supervisors had different opinions on important resolutions passed by the board of directors, and there are records or written statements of such different opinions: None.

(14)Summary of the resignations and dismissals of the Chairman, President, Head of accounting, Head of finance, Head of internal audit, Head of corporate governance and Head of research and development for the most recent year and as of the date of publication of the annual report: None.

#### 4. Audit Fee

Unit: NT\$1,000

Name of accounting firm	Names of CPAs	Audit Fee	Non-audit Fee				Sub total	Period Covered by CPA's Audit	Remark
			System of Design	Company Registration	Human Resource	Other (Notes 2)			
Ernst & Young Taiwan	Huang, Shih-Chieh	2,490	-	10	-	245	255	2023.01.01~2023.12.31	None
	Hong, Guo Sen								

Note 1: If the Company changed its accountant or accounting firm during the year, please list the period of audit and the reasons for the change in the remarks column and disclose the information of audit and non-audit fees paid in order.

Note 2: Non-audit fees should be listed separately by service item. If the "other" non-audit fees amount to 25% of the total non-audit fees, the service content should be listed in the Remarks column.

- (1) If the non-audit fees paid to the certified public accountant, the certified public accountant's firm and its affiliates are at least one-fourth of the audit fees, the amount of audit and non-audit fees and the content of non-audit services should be disclosed: Not applicable.
- (2) If the audit fee paid in the year of change of accounting firm is less than the audit fee paid in the year before the change, the amount of audit fee before and after the change and the reasons for the change should be disclosed: None.
- (3) If the audit fee is reduced by 10% or more from the previous year, the amount, percentage, and reasons for the reduction shall be disclosed: None.

#### 5. Replacement of CPA

- (1). About the former accountant: Not applicable.
- (2). For the successor accountant: Not applicable.
- (3). The former accountant's response to the Articles of 10.5.1, 10.5.2 and 10.5.3 of this Standard: Not applicable.

6. If the chairman, president, or managers in charge of financial or accounting affairs of the Company has worked in the firm of the certified public accountants or their affiliates within the last year, the names, titles, and periods of employment in the firm of the certified public accountants or their affiliates should be disclosed: None.

7.Changes in the shareholding of directors, supervisors, managers and shareholders holding more than 10% of the shares as of the last year and as of the publishing date of the annual report

(1)Transfer of shares and change in pledge of shares

Unit: Shares

Title	Name	2023		As of April 30, 2024	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director and major shareholder	Sheng Lin Investment LTD.	-	-	-	-
Director	Guang Rong Investment Ltd.	-	-	-	-
Corporate Director Representative	Huang Yinglin	-	-	-	-
Director	Shieh Jinnan	-	-	-	-
Independent Director	Zheng Youren	-	-	-	-
Independent Director	Cheng Yunyao	-	-	-	-
Independent Director	Chung Chienwen	-	-	-	-
Major shareholder	World Top Investment Holding LTD.	-	-	-	-
Chief Administrative Officer	Law Lee	-	-	-	-
President	Blue Lan	(5,000)	-	-	-
Executive Vice President	Rick Wei	-	-	-	-
Manager, Corporate Finance	Peter Sun	-	-	-	-
Chief Technology Officer	Chin Pin Yeh	-	-	-	-

(2)Information on the related parties of the equity transfer: None.

(3)Information on pledge of shares as related parties: None.

8. Information on the top ten shareholders who are related to each other or are spouses or relatives within the second degree of kinship.

April 9, 2024; Unit: Share/%

Name (Note 1)	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees (Note 3)		Remark
	Shares	%	Shares	%	Shares	%	Name	Relationship	
World Top Investment Holding LTD.	6,344,472	16.48	-	-	-	-	-	-	-
Rep: (Samoan) World Top Investment Holding Company Ltd.	-	-	-	-	-	-	-	-	-
Sheng Lin Investment LTD.	5,489,146	14.25	-	-	-	-	-	-	-
Rep: Huang Yinglin	873	-	-	-	-	-	-	-	-
China Trust manages the investment account of Brocade Development Ltd.	1,619,930	4.21	-	-	-	-	-	-	-
Rep: Yip HeungYin	-	-	-	-	-	-	-	-	-
Pao Wang Investment Co.	346,174	0.90	-	-	-	-	-	-	-
Rep: (Samoan) Pao Wang Investment Development Limited.	-	-	-	-	-	-	-	-	-
Xie Jinzong	325,000	0.84	-	-	-	-	-	-	-
Delta Capital Co. Ltd	255,651	0.66	-	-	-	-	-	-	-
Rep: Liu Liang-fu	-	-	-	-	-	-	-	-	-
Su Pengfei	255,000	0.66	-	-	-	-	-	-	-
China Trust manages the investment account of Brocade Development Ltd.	253,914	0.66	-	-	-	-	-	-	-
Rep: Hsu Ming-Hsien	-	-	-	-	-	-	-	-	-
Citi custody Berkeley Capital SBL/PB investment account	249,771	0.65	-	-	-	-	-	-	-
Sun Liyun	153,000	0.40	-	-	-	-	-	-	-

\* All of the top ten shareholders should be listed, and the names of corporate shareholders and the names of their representatives should be listed separately if they are corporate shareholders.

\* The calculation of the percentage of shareholding refers to the calculation of the percentage of shareholding in the name of oneself, one's spouse, minor children, or the use of others.

\* The shareholders listed in the preceding paragraph shall disclose their relationship with each other in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

9. The number of shares held by the Company, the Company's directors, supervisors, managers, and businesses directly or indirectly controlled by the Company in the same business to which the Company invests, and the combined percentage of shares held: None.

#### IV. Capital Rising

##### 1. Capital and Shares

##### (1) Source of Capital

##### A. Capital formation

April 9, 2024 Unit: 1,000 Shares; NT\$1,000

Year/Month	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Other
2003.08	10	8,000	80,000	2,000	20,000	Cash capitalization		Note 1
2005.05	10	8,000	80,000	8,000	80,000	Cash capital increase of NT\$60,000		Note 2
2007.09	10	48,000	480,000	6,404	64,040	Consolidated capital increase of NT\$64,000 Consolidated capital decrease of NT\$79,960		Note 3
2007.12	10	48,000	480,000	12,404	124,040	Cash capital increase of NT\$50,000	Debt Rights Contribution to Share of NT\$10,000	Note 4
2009.08	10	48,000	480,000	10,800	108,000	Loss recovery of NT\$76,040 Capital increase in cash NT\$60,000	None	Note 5
2012.08	10	48,000	480,000	18,000	180,000	Capital increase of NT\$72,000 from earnings	None	Note 6
2012.08	15	48,000	480,000	18,700	187,000	Capital increase by cash NT\$7,000	None	Note 7
2013.06	18.5	48,000	480,000	19,700	197,000	Employee stock options	None	Note 8
2013.09	10	48,000	480,000	28,700	287,000	Capital increased from earnings	None	Note 9
2014.12	32	48,000	480,000	32,290	322,900	Capital increased by NT\$35,900 in cash	None	Note 10
2017.11	80	48,000	480,000	33,509	335,090	Increased cash capital by NT\$12,190	None	Note 11
2019.12	100	60,000	600,000	38,509	385,090	Capital increased by NT\$50,000 in cash	None	Note 12

Note1 : Approval of Southern Commerce Letter No. 0920012535 by the Southern Science Industrial Park Administration Bureau on August 1, 1992.

Note2 : Approval of Southern Commerce Letter No. 0940009530 by the Southern Science Industrial Park Administration Bureau on May 18, 1994.

Note3 : Approval of Southern Commerce Letter No. 0960022194 by the Southern Science Industrial Park Administration Bureau on September 27, 1996.

Note4 : Approval of Southern Commerce Letter No. 0960028237 by the Southern Science Industrial Park Administration Bureau on December 10, 1996.

Note5 : Approval of Southern Commerce Letter No. 0980019374 by the Southern Science Industrial Park Administration Bureau on August 25, 1998.

Note6 : Approval of Southern Commerce Letter No. 1010020071 by the Southern Science Industrial Park Administration Bureau on August 17, 2012.

Note7 : Approval of Southern Commerce Letter No. 1010021398 by the Southern Science Industrial Park Administration Bureau on August 31, 2012.

Note8 : Approval of Southern Commerce Letter No. 1020013033 by the Southern Science Industrial Park Administration Bureau on June 5, 2013.

Note9 : Approval of Southern Commerce Letter No. 1020023085 by the Southern Science Industrial Park Administration Bureau on September 17, 2013.

Note10 : Approval of Southern Commerce Letter No. 1030034103 by the Southern Science Industrial Park Administration Bureau on December 31, 2014.

Note11 : Approval of Southern Commerce Letter No. 1060028200 by the Southern Science Industrial Park Administration Bureau on November 2, 2017.

Note12 : Approval of Southern Commerce Letter No. 1080035904 by the Southern Science Industrial Park Administration Bureau on December 31, 2019.

## B. Type of Shares (include Treasury shares)

April 9, 2024; Unit: Share

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Shares	38,509,000	21,491,000	60,000,000	Outstanding shares are Listed shares

C. Information on the general reporting system: None.

## (2) Shareholder Structure

April 9, 2024

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	-	1	74	14,432	27	14,534
Shareholding (shares)	-	76,141	13,029,916	23,029,956	2,378,987	38,509,000
Percentage	-	0.20	33.82	59.80	6.18	100%

## (3) Diversification of shareholdings

Common stock

Par value per share \$10

April 9, 2024

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1~ 999	8,357	178,252	0.46%
1,000~ 5,000	5,594	9,858,256	25.60%
5,001~ 10,000	511	3,991,572	10.36%
10,001~ 15,000	148	1,874,812	4.87%
15,001~ 20,000	60	1,106,476	2.87%
20,001~ 30,000	75	1,882,214	4.89%
30,001~ 40,000	28	986,493	2.56%
40,001~ 50,000	19	861,339	2.24%
50,001~ 100,000	28	2,035,101	5.28%
100,001~ 200,000	4	595,427	1.55%
200,001~ 400,000	5	1,685,510	4.38%
400,001~ 600,000	6	-	-
600,001~ 800,000	-	-	-
800,001~ 1,000,000	-	-	-
Over 1,000,001	3	13,453,548	34.94%
Total	14,534	38,509,000	100.00%

(4) List of major shareholders (shareholders holding more than 5% of the shares or shareholders holding the top ten shares, the number and proportion of shares held)

April 9, 2024

Shares Name of major shareholders	Shareholding (Shares)	Percentage (%)
World Top Investment Holding LTD.	6,344,472	16.48
Sheng Lin Investment LTD.	5,489,146	14.25
China Trustee Managed the investment account of Brocade Development Co.	1,619,930	4.21
Pao Wang Investment Co.	346,174	0.90
Xie Jinzong	325,000	0.84
Delta Capital Co. Ltd	255,651	0.66
Su Pengfei	255,000	0.66
China Trust manages the investment account of Brocade Development Ltd.	253,914	0.66
Citi custody Berkeley Capital SBL/PB investment account	249,771	0.65
Sun Liyun	153,000	0.40

(5) The stock price per share, net value, earnings, dividends and related information for the last two years

Unit: NT\$

Year Item		2022	2023	As of March 31, 2024 (Note8)	
Market Price per Share (Note 1)	Highest Market Price	94.50	99.00	81.80	
	Lowest Market Price	53.80	57.00	66.10	
	Average Market Price	75.19	74.40	74.64	
Per share Net Value (Note 2)	Before Distribution	33.72	28.96	28.10	
	After Distribution	(Note 9)	(Note 9)	Unassigned	
Earnings per Share	Weighted Average Shares (thousand shares)	38,509	38,509	38,509	
	Diluted Earnings Per Share (Note 3)	2.33	(2.68)	(0.84)	
	Adjusted Diluted Earnings Per Share (Note 3)	2.33	(2.68)	(0.84)	
Dividends per Share	Cash Dividends	2.00(note9)	-	Unassigned	
	Return on Investment	from Retained Earnings	-	-	-
		from Capital Surplus	-	0.50 (Note9)	-
	Accumulated Undistributed Dividends (Note4)	-	-	-	
Return on Investment	Price / Earnings Ratio (Note5)	29.30	29.30	None	
	Price / Dividend Ratio (Note6)	34.14	Unassigned	Unassigned	
	Cash Dividend Yield Rate (Note7)	2.93	Unassigned	Unassigned	

\* If there is a stock dividend issued through capitalization of retained earnings or capital surplus, it is necessary to disclose the market price adjustment of the retroactive recalculated shares and the information regarding cash dividends.

Note1 : Below is a table listing the highest and lowest market prices of common shares for each year, along with the average market price calculated based on the annual trading volume and value.

Note2 : Based on the year-end issued shares and the distribution approved at the shareholders' meeting in the following year.

Note3 : If there is a need for retroactive adjustment due to situations such as bonus issues without consideration, the table should include both the pre-adjustment and post-adjustment earnings per share.

Note4 : If the conditions for equity securities issuance specify that undistributed dividends from the current year will be accumulated and paid in a profitable year, it is necessary to disclose the accumulated unpaid dividends as of the end of the current year.

Note5 : The price-to-earnings ratio (P/E ratio) is calculated by dividing the average closing price per share for the year by the earnings per share.

Note6 : The dividend yield ratio, also known as the earnings yield or dividend-price ratio, is calculated by dividing the average closing price per share for the year by the cash dividend per share.

Note7 : The dividend yield ratio, or cash dividend yield, is calculated by dividing the cash dividend per share by the average closing price per share for the year.

Note8 : The column for "Net Asset Value per Share" and "Earnings per Share" should be filled with the most recent quarter's data as reviewed or audited by the accountant, up until the date of printing of the annual report.

Note9 : According to the decision made by the board of directors on March 8, 2024, regarding the distribution of earnings for the fiscal year 2023, it is important to note that the decision has not yet been approved by the shareholders' meeting. The final approval and confirmation of the earnings distribution will be determined by the shareholders' meeting.

(6) Dividend Policy and Implementation Status

A. Dividend policy as stated in the Articles of Association

If there is any surplus in the year-end accounts, the Company shall pay tax and make up for the accumulated deficit, and then set aside 10% as legal reserve, but if the legal reserve has reached the Company's paid-in capital, it may not be set aside, and the rest shall be set aside or reversed to special reserve as required by law. The Board of Directors shall prepare a proposal for the distribution of earnings and submit it to the shareholders' meeting for resolution to distribute dividends to shareholders.

The Company's dividend policy is to evaluate the Company's future capital budget, plan for future capital requirements, financial structure and earnings, etc. Therefore, the dividend payout ratio is based on cash and stock balance policy, with no less than 10% of the dividends paid in cash.

B. The proposed dividend distribution at the shareholders' meeting is subject to the resolution of the Board meeting on March 8, 2024. Cash of NT\$0.5 per share will be distributed as capital reserve from Capital Surplus by resolution of the board of directors, and will be distributed in accordance with operating procedures after the resolution of the shareholders' meeting.

C. If there is anticipated significant change in dividend policy, it should be stated: There is no anticipated significant change in dividend policy as of the date of printing of the annual report.

(7) The effect of the proposed gratis stock allotment at the shareholders' meeting on the Company's operating results and earnings per share for 2023 Year's earnings distribution, there is no gratis stock allotment, therefore, Not applicable.

(8) Employee Compensation and Director Compensation

A. Articles of Association: Employees' remuneration and Directors' remuneration

The Board of Directors shall decide to distribute the compensation in stock or cash to the employees of the Company's subsidiaries who meet certain criteria. The Company may allocate not more than 5% of the above-mentioned profits as Director's remuneration as resolved by the Board of Directors. The Company may allocate up to 5% of its earnings as Director's remuneration by resolution of the Board of Directors. The distribution of employees' remuneration and Director's remuneration should be reported to the shareholders' meeting. However, if the Company still has accumulated losses, the Company shall reserve the amount of compensation in advance and then allocate the compensation to employees and directors in accordance with the percentage.

B. The basis of estimating the amount of compensation for employees and directors and supervisors, the basis of calculating the number of shares to be allotted and the actual allotment of shares. The accounting treatment for the difference between the estimated amount and the actual amount:

The amount of compensation to employees and directors and supervisors is based on the management's estimate of the amount that could be paid, and if the actual allotment amount subsequently resolved by the shareholders' meeting is significantly different from the estimated amount, it is recorded as profit or loss in the current year. The difference between the estimated amount and the actual amount is recorded as profit or loss for the year.

C. The Board of Directors approved the proposed allotment of employee bonuses and other information:

(a) The amount of cash compensation, stock bonus, and remuneration to directors and supervisors to be distributed to employees. If there is any difference between the amount and the estimated amount of expense recognized, the difference, the reason and the treatment should be disclosed:

The 2023 loss appropriation plan was approved by the board of directors on March 8, 2024. It is No cash remuneration will be distributed to employees and directors.

(b) The amount of proposed employee stock-based compensation and its proportion to the total amount of net income after tax and employee compensation in the individual or individual financial statements for the period: Not applicable.

(c) Consideration of imputed earnings per share after proposed allotment of employees' remuneration and directors' and supervisors' remuneration: The proposed allotment of employees' remuneration and directors' remuneration has been accounted for in accordance with IFRS 2, "Share-Based Payment", so there is no need to consider the imputed earnings per share after the proposed allotment of employees' remuneration and directors' remuneration.

D. The actual number of employees' bonuses and directors' and supervisors' remuneration allotted in the

previous year (including the number of shares allotted, the amount and the price of shares), and the difference between them and the recognition of employees' bonuses and directors' and supervisors' remuneration. If there is any difference between the actual allotment of shares and remuneration to employees and directors and supervisors (including the number of shares allotted, the amount and the share price) and the recognition of employee bonuses and remuneration to directors and supervisors, the difference should be stated as follows

The 2022 earnings distribution plan was approved by the board of directors on March 9, 2023, and it is planned to allocate cash remuneration of 1,500,000 yuan to employees and 2,000,000 yuan to directors. There is no difference between the aforementioned proposed allotment amount and the actual allotment amount.

**(9) Buy-back of Treasury Stock**

**A. Repurchases already completed**

Treasury stocks: Batch Order	The 1 <sup>st</sup> Batch	The 2 <sup>nd</sup> Batch
Purpose of buy-back	Shares Transferred to Employees	Shares Transferred to Employees
Timeframe of buy-back	2015/06/17~2015/08/16	2018/10/22~2018/12/22
Price range	25.00~45.00	30.00~65.00
Type and number of shares bought back	Common shares 251,000	Common shares 248,000
Amount of shares repurchased	NT\$8,909,191	NT\$11,466,145
Number of shares cancelled and transferred	251,000 Share	248,000 Share
Cumulative number of shares held by the Company	0 share	0 share
Ratio of cumulative number of shares of the Company to total number of shares in issue (%)	0.00%	0.00%

B. Any repurchase still in progress: None.

2. Corporate bonds :None.
3. Issuance of preferred stocks: None.
4. Issuance of GDRs: None.
5. Issuance of employee stock warrants:None.
6. Issuance of new restricted employee shares: None.
7. Issuance of New Shares Upon any Merger and Acquisition With Other Companies: None.
8. Implementation of Capital Allocation Plans: None.

## V. Business Overview

### 1. Business Description

#### (1) Business Scope

##### A. Main business items

The Company's main business items are filter design, production and sales services, and revenue from the processing of optical coating components.

##### B. Operating weight

Unit: NT\$1,000 ; %

Products	2023		2022	
	Sales Amount	Sales %	Sales Amount	Sales %
Optical Coating	362,566	99.94	622,636	99.78
Other	223	0.06	1,357	0.22
Total	362,789	100.00	623,993	100.00

Note: The other product category includes products for ceramic inserts, spectrometers and their components.

##### C. Main Products and Services Item

(a) Thin-film filters for active optical communication components (E-PON, G-PON...).

(b) Thin-film filters for passive optical communication components (CWDM, DWDM...).

(c) Optical and functional thin film processing.

##### D. New products planned for development

(a) Short-term development plans

(i) Optical filter for 1.6T Gbps optical communication module.

(ii) Co-packaged optics (CPO) coating applications.

(iii) Bandpass filters for mid-infrared (MIR) sensors.

(b) Long-term development plan

(i) Integrated optics (PIC) optical component coating process.

(ii) Low Earth Orbit (LEO) satellite solar cell packaging.

(iii) Ultrafast laser optical components.

#### (2) Industry Overview

##### A. Industry Overview

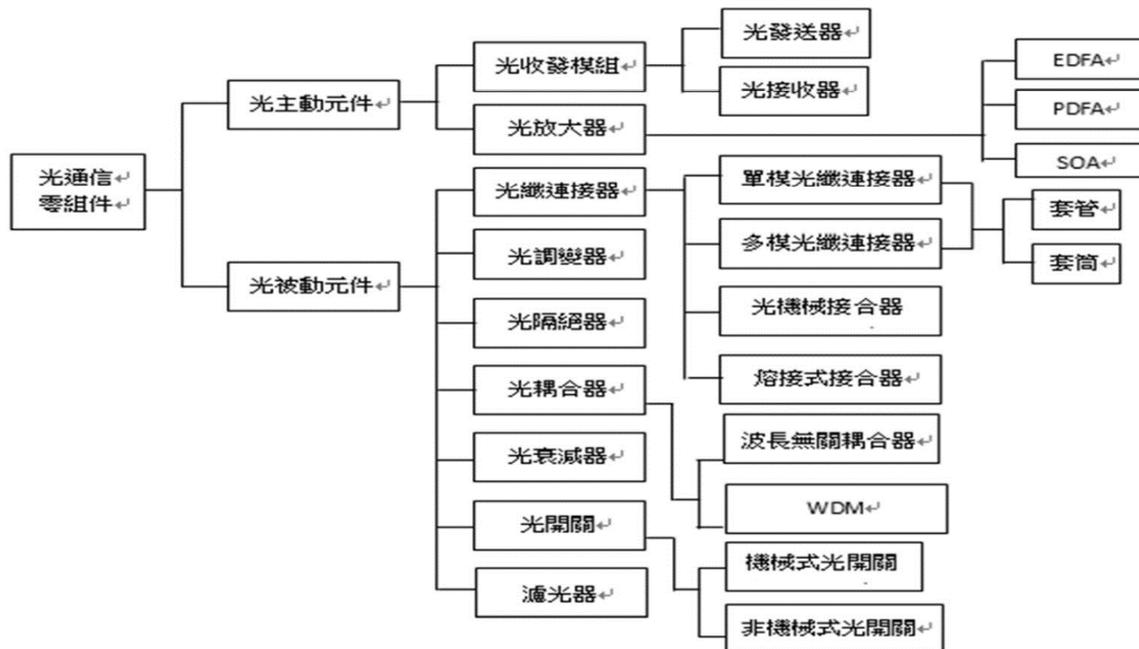
(a) Current status and development of the optical communications industry

(i) Overview of Optical Communication Components

According to the PIDA study, there are many different types of optical communication products, which can be divided into two main categories: optical communication components and devices, among which optical communication components can be divided into active, passive, functional and institutional components.

An active component is defined as a component that converts energy, such as electricity to light, light to electricity or light amplification, and includes an Attenuator, Modulator, Transceiver and Optical Amplifier. Passive components are those components in optical communication systems that do not have an external source of energy to modify the original optical signal. Passive components are components in an optical fiber communication system that do not involve the conversion of optical energy to electrical energy and are transparent to the telecommunications signal carried in the optical signal, e.g. Optical Fiber, Optical Cable, Optical Grating, Optical Waveguide, Collimator, Optical Coupler, and Optical Amplifier. (Coupler, Isolator, Circulator), etc. Functional components are components that are used only to generate electrical and optical signals and to switch between them, such as light transmitters and light receivers; mechanical components are auxiliary components that can perform the characteristics of active, passive and functional components, such as Connectors and Switches, of which active and passive components are the main ones.

## Classification of optical communication components



Source: PIDA; compiled by Taishin Securities  
Optical Communication Components by Category

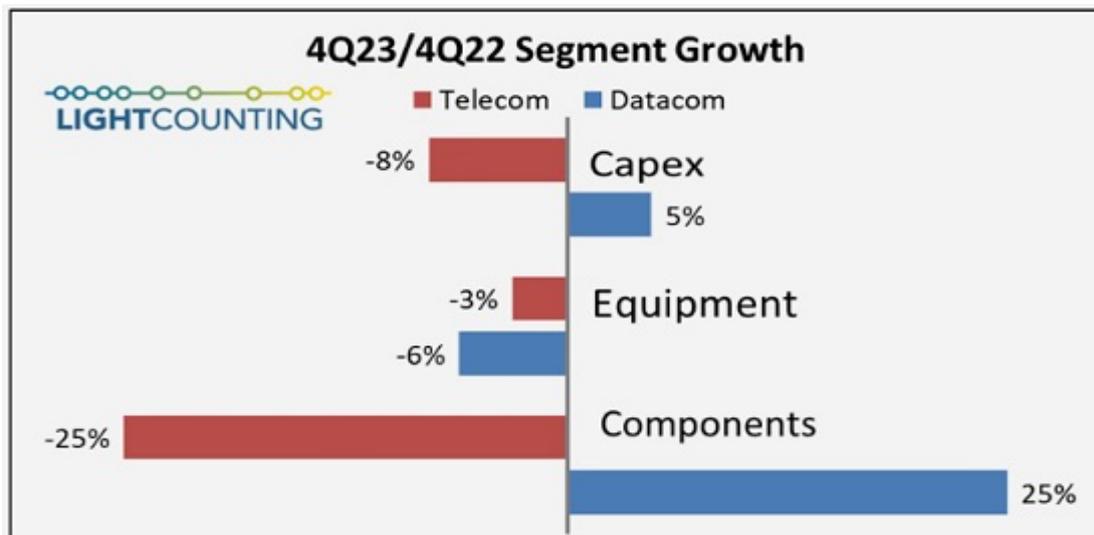
Optical amplifiers (e.g. EDFA-ErbiumDopedFiberAmplifier) are used to increase the transmission distance and compensate for the additional light loss during transmission.

Optical passive components are mainly used for the connection between optical line terminals (OLTs) and optical network units (ONUs) for cable television (CATV), data networks (Datacom) and telecommunications networks (Telecom), the connection between the optical splitter equipment and the chassis in front of the FTTx client, and the connection between the main network equipment and the optical cables of telecommunications operators and the connection element between the main network equipment and the optical cable of the telecom operator. The characteristics of optical passive components generally require small size, low loss, resistance to environmental changes and high reliability. In recent years, with the growing maturity of the mobile broadband environment, the popularity of mobile broadband applications and the introduction of mobile devices and applications such as smartphones and tablet PCs, mobile broadband networks have become an essential element of people's lives. The new 400G/800G market, the rise of cloud computing technology and the Internet of Things industry will drive the demand for more optical communication components.

### (ii) Optical Communications Market Overview

The establishment of fiber-optic networks has a direct impact on the development of the optical communications industry. With the growing maturity of the mobile broadband environment, the popularity of mobile broadband applications and the proliferation of mobile devices and applications such as smartphones and tablets, mobile broadband networks have become an indispensable element of people's lives, resulting in a significant increase in the bandwidth requirements for network transmission, making fiber-optic broadband networks increasingly important.

**2024Q1 quarterly report LightCounting (LC) releases sales comparison of telecommunications and data center 2023Q4 with the same period last year**



Source : Lightcounting Q1.2024

In 2023, the telecommunications industry will gradually decline in various projects, including DWDM, FTTx and 5G fronthaul transceivers. However, expenditures in data centers (data centers) in the AI industry continue to increase, and the demand for Ethernet 800G transceiver modules has also exceeded 400G for the first time. Google Cloud & NVIDIA are the two largest customers, and NVIDIA is expected to become the largest customer in 2024. It cannot be denied that new markets are rapidly shifting to data centers under artificial intelligence.

Since the Biden administration in the United States passed 65 billion U.S. broadband construction in 2022, with a budget of up to 42.5 billion U.S. dollars, in 2024, according to the announcement on the website of the responsible U.S. department BEAD (Broadband Equity Access and Deployment Program), 10 states have completed the application, and the application progress of the remaining states It has also reached 80%~90%. It is expected to start after the middle of this year, which will be of great help to optical communication manufacturers.

(iii)The era of self-driving IoT AI is coming

Due to the development of AI, various cloud companies continue to develop a new generation of 1.6T transmission speed data centers. Facing the arrival of the new AI application era in the future, they are further developing 6.4T CPO (Co-packaged Optics, co-packaged optical components). Accelerate investment. There is a section in CPO that belongs to optical splitting transmission. Although there is no clear plan yet, if the optical filter solution is used, Tongxin will not be absent.

CPO (Co-Packaged Optics) is co-packaged optical components. It uses silicon photonics technology to integrate optical communication components and switch chips, co-package them in the optical engine module, and install them on the same slot (Socket) to reduce The effect of the data transmission path is to reduce power consumption and signal delay in the case of high-speed transmission; simply put, it is a solution to directly package the optical transmission module on the circuit board to achieve the highest performance and minimize the energy consumption, as shown below The figure shows the difference between traditional plug-in modules and future CPO modules.

## CPO packaging diagram

可插拔式光收發模組架構



CPO 架構



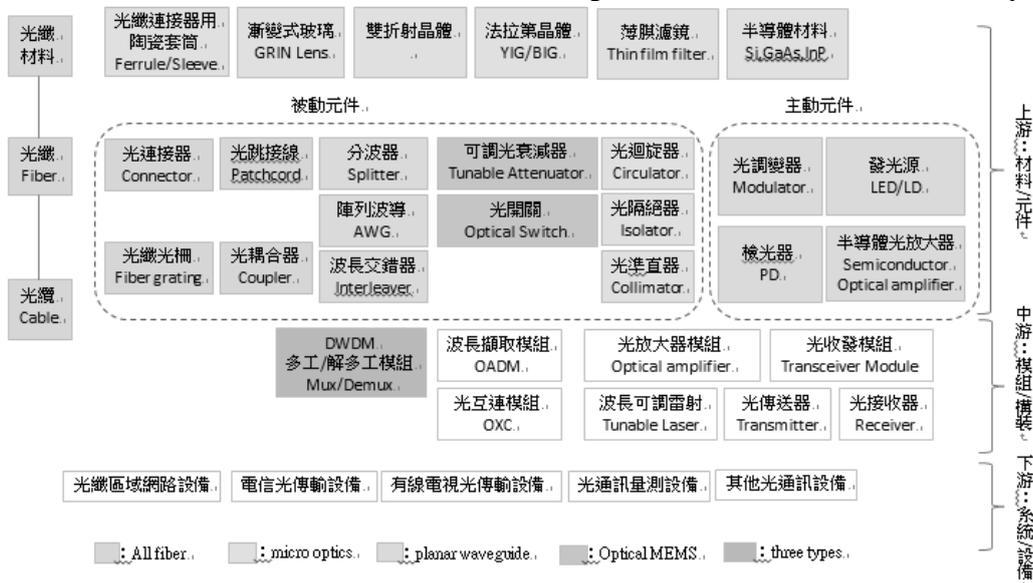
Source : Academia Sinica 2023/9/12

(ii) The interrelation between the upstream, midstream, and downstream in an industry.

Optical communication is a process where the electrical signal from the transmitting end is converted into a light source with signals using an optical module. This light signal is then coupled into the optical fiber network and transmitted to the optical receiving module, where it is converted back into an electrical signal and sent to the receiving end user equipment.

In the field of optical communications, it can generally be divided into three categories: raw materials (such as optical fibers and cables), components (including optoelectronic active components and optoelectronic passive components), and optical communication equipment. Our company focuses on the design, production, and sales of thin-film filters for optical communication components, modules, and subsystems. We design, manufacture, and sell our products to customers who are engaged in the production of optoelectronic components and optical transceiver modules. These customers further sell our products to communication equipment manufacturers.

## Product Structure of the Optical Communication Industry



Source : Taiwan Optical Communication Industry Alliance

## C. Various development trends of products

### (a) Industry Development Trends

#### (i) AI Cloud technology will drive new opportunities in the optical communications industry

Under the concept of cloud computing technology, the most important thing is to rely on a stable and high-bandwidth network for data transmission. It is expected that many Data Centers will be built, and the demand for bandwidth will grow significantly. Therefore, cloud technology is expected to bring a wave of business opportunities for the optical communication industry.

#### (b) The demand for high bandwidth in the Internet has increased.

In recent years, the rapid growth of mobile data traffic has driven a significant increase in demand for next-generation ultra-broadband networks. With the continuous expansion of applications such as smart homes, Internet of Things (IoT), high-definition 8K video services, and the ongoing growth of enterprise cloud services, both consumer and enterprise markets are expected to experience significant growth. The flourishing development of network-based video services will be the most important driving force for the consumer market, while the growth in the enterprise market will mainly be driven by the increasing demand for enterprise cloud services. The infrastructure and investment needs arising from the ultra-broadband network environment gradually stimulate the overall growth of the communication equipment market, serving as an important source of momentum.

Basically, multiplexing refers to the transmission of two or more signals on the same channel at the same time. (FDM), and Wavelength Division Multiplexing (WDM), which are four types. The most commonly used optical communication systems are TDM and FDM, of which FDM and the later developed high-density FDM are the main multiplexing methods used in optical systems.

However, unlike the backbone one-to-one transmission and management fiber optic network architecture, the access network architecture is facing a group of end-receiving customers, and a single customer often cannot fully utilize the high bandwidth of a single fiber optic, so to achieve easy management and effective use of fiber optic bandwidth, combining fiber optic and Ethernet technology is an inevitable trend. However, in the past, SONET/SDH was the main standard architecture for fiber optic communication, which required active components (e.g., repeater amplifiers), making it more costly and uneconomical for access networks and local area networks with shorter transmission distances. Therefore, Passive Optical Network (PON) has started to combine with Ethernet for local area networks, access networks and even metropolitan networks.

The PON operates by broadcasting the signal from the local equipment to the customer, and when the number of subscribers exceeds one, the signal is split by a splitter, so that if more subscribers are added, only the splitter needs to be added. When a single splitter can split more frequency bands, the number of users supported can be multiplied, and since the splitter is a passive component, it is easy to maintain and simplify the design of the network circuit. In the application part, since long-haul networks or backbone networks have already used fiber as the transmission channel, and with the continuous development of DWDM and other splitting technologies, the transmission capacity of backbone networks and metropolitan networks is rapidly increasing, and general users are gradually upgrading to Gigabit-class local networks, Access Network, which still uses high-capacity copper cables as the transmission medium, will become the overall network transmission medium. Therefore, the Access Network, which still uses high-capacity copper cables as the transmission medium, will become a bottleneck in the



Year	2023	April 30, 2024
R&D expense	94,040	33,276

C. Technology or products developed successfully

The following items are the products we have successfully developed in the last five years:

Year	Specific R&D results
2018	1. 50GHz optical flux filter mass production. 2. Mass production of full wavelength optical communication channel selector. 3. Successfully developed application for continuous sputtering process.
2019	1. Mass production of high reflectivity isolated channel selector filter. 2. Low-angle drift near-infrared bandpass filter successfully developed.
2020	1. 21-channel bandpass selector filter successfully mass-produced.
2021	1. Ultra-thin filter with no substrate support developed. 2. Mass production of far-infrared wafer coating for automotive environmental sensing. 3. Mass production of filters for biomedical applications such as ophthalmic examinations and PCR fluorescence.
2022	1. The spectrometric flow cytometer and the cell detection application filters have been successfully mass-produced. 2. Co-packaging of optical component wafers with coating has been successfully mass-produced. 3. Successful development of 8&12-inch low particle optical component wafer coating. 4. Mass production of optical coatings for multi-junction photovoltaic wafers for artificial satellites.
2023	1. Optical filters for 800 Gbps optical modules were successfully mass-produced. 2. 25G and 50G Passive Optical Network (PON) filters were successfully developed. 3. Thermal imaging optical wafer coating was successfully developed.

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

A. Short-term Development Plan

- (a) Marketing: Provide high, medium, and low end products for sale, so that customers can buy them all at once.
- (b) Production: Increase the degree of automatic production and reduced product tolerances make quality more stable and precise.
- (c) R&D: Strengthen the development of non-optical products and increase the application of non-optical products.
- (d) Human resources and automation: The automation department will develop production equipment to enhance competitiveness.
- (e) Finance: Through business management and system monitoring, we reduce the risk of accounts receivable and reversal, and actively increase the turnover rate of accounts receivable to improve the efficiency of capital utilization.

B. Medium and Long-term Development Plan

- (a) To build up a good corporate culture with the concept of sustainable management, in addition to recruiting relevant talents and continuously upgrading technology, coupled with rational market analysis, forecasting and continuous revision of reinvestment, to create room for sustainable growth in the future.
- (b) To enhance the training of professional knowledge of employees and the collection and analysis of market information, and to strengthen internal management in order to improve operational performance and facilitate the re-expansion of sales business.
- (c) Utilize our core coating technology, conduct research and development of coating materials, expand into different wavelength coating fields, and expand product lines and product applications.

- (d) To expand the programming of the automation department, in addition to the development of production equipment required by the plant, we also develop the automation equipment required by customers to help customers effectively reduce costs and enhance their product competitiveness.
- (e) Long-term financial planning is to establish a fundraising pipeline as a backing for operational development and to strengthen the financial structure.

## 2. Market and Production Overview

### (I) Market Analysis

#### A. Major product (service) sales (supply) regions

Unit: NT\$1,000 ; %

Year Sales regions		2023		2022	
		Sales Amount	%	Sales Amount	%
Domestic Sales		52,910	14.58	172,461	27.64
Export	Asia	297,065	81.88	443,266	71.04
	Europe	425	0.12	693	0.11
	America	12,389	3.42	7,573	1.21
	Subtotal	309,879	85.42	451,532	72.36
Total		362,789	100.00	623,993	100.00

#### B. Market share

The company is mainly engaged in the design, production and sales of thin-film filters for optical fiber communication components, which belong to the link of optical fiber transmission devices and components. Due to the wide variety of products and different uses in the optical fiber transmission industry, it is difficult to make statistics on individual market conditions, and There is a lack of fair and objective statistical data to evaluate the market share, if it is estimated based on the output value of optical fiber transmission devices and components in Taiwan.

Unit: NT\$1,000

Item Year	Consolidated Operating Revenue(A)	Taiwan optical fiber transmission device and components (2729910) Year sales value (B)	Output value ratio (%) (C)=(A)/(B)
2018	459,909	11,362,656	
2019	617,017	14,944,985	4.13

Source: ITIS Industry Sales Database 及 Market Observation Post System

Note: Fiber optic transmission devices and components include three major categories: fiber optic transmission devices including multimode, single mode; fiber optic active components including optical transmitters, optical receivers, optical amplifiers, optical transceiver modules, etc. and fiber optic passive components including optical collars, optical connectors, optical couplers, splitter multiplexers, optical switches, filters, optical isolators, optical attenuators, optical splitters, etc.

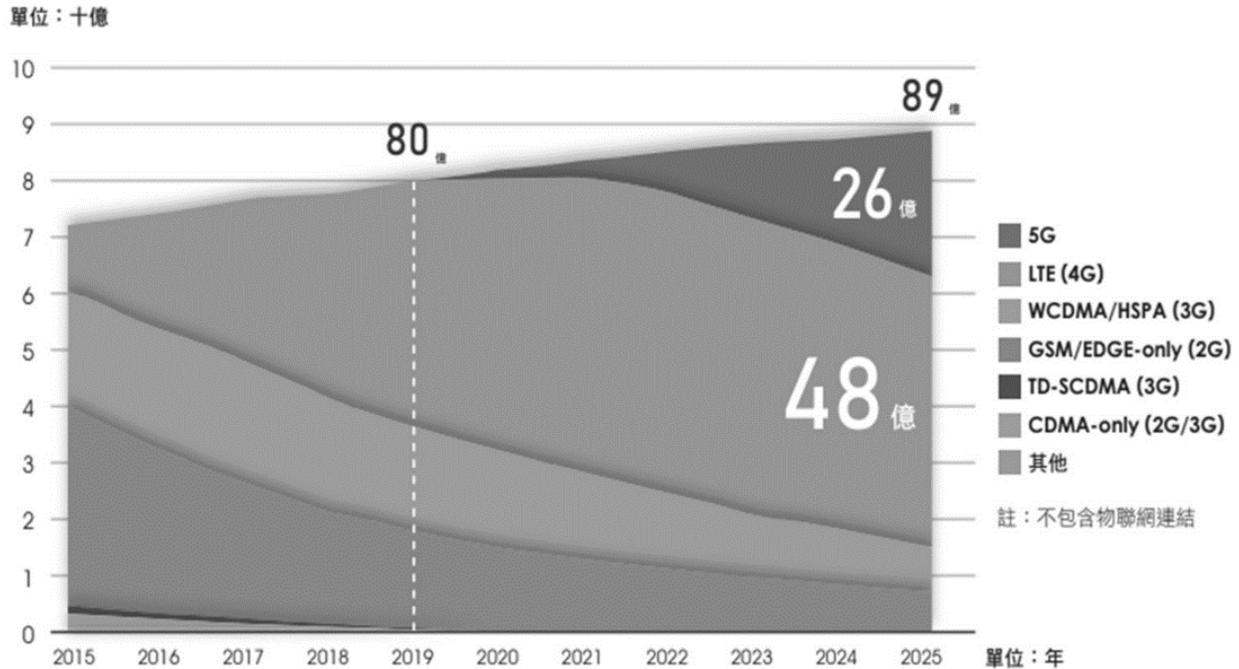
According to the ITIS production and sales database, the sales value of optical fiber transmission devices and components (2729910) in Taiwan in 2018 and 2019 are NT\$11,362,656,000 and NT\$14,944,985, respectively. Based on the Company's operating revenue in 2018 and 2019, the estimated Taiwan market output ratio is 4.05% and 4.13%, respectively.

In addition, according to the data from the Chord Industry Research Center's Year 2020 report on optical communications, the global market size of WDM devices/devices in 2019 is about 22 million channels (i.e., 22 million components, with 1 filter in each component). In 2019, the total sales volume of passive filters (e.g., DWDM/LanWDM/CWDM) is about 5.38 million pieces, and the sales volume is NT\$514,792thousands, which accounts for 83% of the total sales volume in 2019, and the projected share of the global WDM market size is about 24.45%.

#### C. Future Supply and Demand and Growth of the Market

(a) Global mobile broadband subscriber base is gradually growing. The rapid growth of mobile data traffic in recent years has also led to a surge in demand for new-generation ultra-broadband networks. According to the Ericsson Mobility Report released by Ericsson in Q4 2019, the number of mobile broadband subscribers worldwide increased by nearly 49 million in Q4, and the total number of subscribers will reach 7.9 billion. Global telecom operators will focus on 5G infrastructure construction and popularization of related terminal equipment in 2020 to accelerate the change of industry value chain. The number of mobile users and connected devices will continue to grow in the coming years.

## Estimated number of subscribers to telecommunication services by technology in 2025



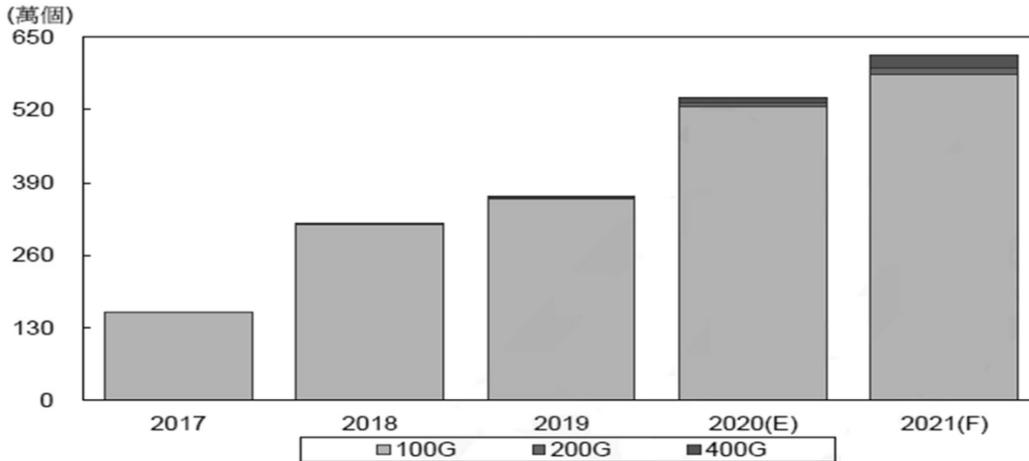
Source: Ericsson · Compiled by the Telecommunications Technology Center (July 2020)

According to Gartner, global 5G wireless network infrastructure revenue is expected to reach USD 4.2 billion by 2020, up from USD 2.2 billion in 2019, representing an annual growth rate of 89%, with global 5G entering commercialization in 2019. In 2019, the global 5G will enter the commercialization period, and many telecom operators in Korea, the US, Japan, China, Switzerland and the UK will launch 5G commercialization. As the number of mobile subscribers and connected devices will continue to grow in the coming years, and 5G technologies will increase the usage of optical communication components and the information volume of backbone networks, it is inevitable that countries will start to deploy 5G construction and quickly invest in WDM technology. Therefore, the demand for WDM components is expected to peak from 2021 to 2023, and the demand for WDM components is expected to exceed 45 million channels by 2023, double the demand in 2019.

### (b) Cloud Data Center Industry

According to a report by Topology Research Institute, high-speed broadband networks have become popular in "consumer markets, enterprise users, and data centers", and with the rise of OTT (Over the Top) manufacturers, the demand for optical fiber in data centers will drive the growth of optical transceivers. The total data center traffic in 2015 was about 3 times that of the previous year, and it is estimated that the growth will be more than 3 times by 2020. The growth momentum of the optical transceiver market is promising. Since about 70% of the information transmitted by data centers is transmitted within the data centers, there is a strong need to "increase speed, reduce cost, and lower power consumption", and only optical communication transmission has this feature. To achieve high speed optical signal transmission, it is expected that optical transceivers will soon replace the existing 100Gbps and 200Gbps as the mainstream of higher speed optical transceivers.

## Optical Transceiver Market Size 2017~2021



Source: Topology Research Institute, 2020/03

Data center is the fastest growing application market for optical modules in recent years. In 2020, due to the new epidemic, the dependence on data center will increase. With 400G optical transceiver modules, the global market size is expected to reach USD 1.2 billion by 2022, with a three-year compound growth rate of 70%.

### (c) Internet of Things

From the Internet era to the Internet of Things era, there are more and more needs in life such as e-commerce, social interaction, smart home appliances or high-definition video entertainment. The mobile network has become an indispensable element of human life, accelerating the IoT smart life scenario, which allows you to grasp the big and small things in your life through mobile devices. According to the Cisco white paper published in 2018, the CAGR of network traffic by 2021 is predicted to be, among other things, double for video traffic, double for live streaming traffic, double for surveillance traffic, and double for Augmented Reality (AR) and Virtual Reality (VR) traffic over a six-year period. The advent of 5G and the Internet of Things (IoT) will bring the growth of mobile broadband users and the popularity of large bandwidth applications, which will require operators to The new era of 5G and Internet of Things will bring the growth of mobile broadband users and the popularity of large bandwidth applications, which will require operators to deploy small base stations with dense coverage of Macro Cells, and small base stations that meet the new era's high bandwidth, low latency and massive connectivity requirements to satisfy users' service experience.

In summary, the demand for thin-film optical communication filters will gradually expand with the demand for 5G, cloud and Internet of Things applications, which will drive the Company's revenue growth momentum.

### D. Competitive Niche

#### (a) Input into research and development kinetic energy

The company continues to invest in the research and development of optical thin films. Due to the optical thin film manufacturing process, it is necessary to integrate coating equipment, optical thin film design and coating material characteristics, so as to integrate the material characteristics and coating equipment performance into the optical thin film design. Our company Actively invest in self-developed technology, increase the number of R&D personnel from 106 to 2019, and increase R&D expenses in 2019 to , accounting for 20% of Operating Revenue, showing the company's emphasis on R&D technology, and constantly targeting coating materials, process technology to products In terms of output, R&D is carried out to improve the coating yield and usable area, which is an important key for the company to maintain a high competitive advantage in the optical communication market.

(b) Mastering Key Technologies

The terminal customers are mostly operators or equipment manufacturers, and they adopt multi-channel and modular design for the number of channels and wavelengths of optical fiber transmission, which can be expanded when it is insufficient. The number of channels and wavelengths are multi-channel and modular design. For example, the thin film filter can filter the optical spectrum as narrow as 0.2nm, so that the interval between channels is increased, and it is not easy to be affected by temperature and environment, to achieve the advantages of more channels, large transmission capacity and easy to expand the capacity, etc., which is well recognized by customers.

(c) Complete range of coating machines

We have a complete range of coating machines to produce a complete product line, from visible to invisible light spectrum are the company's optical coating strengths, because the optical communication film filter market products are mostly non-standard, and the specification requirements are customized. However, we can still achieve the customization of optical communication thin film filter by the flexible adjustment of coating equipment.

E. Favorable and unfavorable factors for the future development prospect and measures to deal with them

(a) Favorable factors

(i) Optical Communication Industry Embraces New Wave of 5G Construction

With the continuous growth of smart home and other Internet of Things applications, wearable devices, 4K quality audio and video services, and cloud services, mobile data traffic is growing rapidly. The growth of the consumer home application market will be driven by the booming development of Internet audio and video services, while the growth of the enterprise user market will be driven by the increasing demand for large data centers and cloud services from North American OTT audio and video vendors. The demand for infrastructure and investment arising from the 5G broadband network environment is gradually driving the growth of the overall communications equipment market.

(ii) High technology threshold

China has been actively promoting the fiber-optic coverage of broadband access networks, making it the country with the largest number of fixed broadband users and FTTx market users in the world. With the advantages of low cost and high labor intensity, China has become an important production base for optical communication modules globally. The self-sufficiency rate of optical modules below 10Gb/s in China has reached 90% due to the domestic production capabilities. However, for high-end (high-speed) optical modules, China still relies on foreign suppliers, as the self-sufficiency rate for 25Gb/s and above optical modules is only 10%. A similar situation exists for optical communication filters, as China lacks core optical communication technologies and talent and relies on manufacturers in Taiwan and the United States. Our company, with over a decade of experience in the field of optical communication filters, continuously invests in research and development talent and capital expenditures, as well as improvements in production technology and innovative research. By leveraging continuous technological improvements and innovative advantages, we strive to maintain competitiveness in the market.

(iii) Our main products are thin film filters for optical communication active components (E-PON, G-PON...) and thin film filters for optical communication passive components (CWDM, DWDM), and we have a complete product line that can satisfy customers' needs in a single purchase, and we can customize our products according to the specifications provided by customers. We can customize our products according to the specifications provided by our customers, and we can meet the requirements of our customers in terms of product specifications, quality, and delivery time with high quality and low cost.

(iv) Long history of operation, most of the customers are stable cooperation with well-known manufacturers. The company has been deeply engaged in the field of optical communication coating for more than 10 years, with its quality, precision, after-sales service and accurate control of delivery, has a stable customer base, has established a reputation in the industry, so that its business expansion smoothly, and most of the customers are well-known domestic and foreign manufacturers. Most of the customers are domestic and foreign well-known manufacturers, and the quality is well recognized by the international, and the business has maintained stable growth for a long time.

(b) Unfavorable factors and countermeasures

(i) It is difficult to standardize the production of customized products, which affects the production efficiency of the production line.

In the early stage of 5G construction, base station deployment and specification revision are carried out simultaneously, and operators and system vendors continuously adopt various solutions to continuously improve the quality of reception to meet the market demand, and therefore adjust and modify the specifications many times. In order to quickly meet customers' requirements in terms of product types, specifications and delivery time, the company intends to adopt the following two countermeasures to meet both customers' needs and production line performance.

Countermeasures:

(A) Continuously invest in R&D and process optimization to reduce process loss and improve yield, and work with customers to reduce the time spent on process design.

(B) Conduct regular and irregular production and sales meetings to discuss how to proceed for products that can be standardized, and how to deploy production capacity for products that cannot be standardized, so that efficiency can be improved to meet customer needs.

(ii). Taiwan dollar exchange rate fluctuation risk

From 2018 to 2023, the ratio of foreign currency-denominated sales to revenue will be over 80%, and the ratio of foreign currency-denominated purchases to imports will be around 50%, and most transactions are denominated in U.S. dollars and Japanese yen. This may increase the Company's operational risk.

Responses:

The finance and accounting department usually liaises closely with the foreign exchange department of the bank to fully grasp the trend of exchange rates through the analysis and consultation services provided by the bank. In addition, our sales staff assesses the trend of exchange rate changes when quoting prices and evaluates product price adjustments to protect the Company's profitability.

(iii). Professional technical personnel and labor are not easily recruited. The optical industry is a star industry with great development in Taiwan. In the long run, it may affect the effectiveness of R&D and further increase the overall cost of R&D.

Responses:

In addition to investing a large amount of money in R&D every year to cultivate talents, we also implement policies such as humanized management and transfer of treasury shares to employees to recruit outstanding talents. In addition, we have also implemented the employee stock ownership trust program in 2022 to retain outstanding talents. In terms of professional on-the-job training, the Company encourages R&D staff to study on their own initiative and regularly participates in regular lectures and technical exchanges with industry and academia. In the future, we will enhance the company's environment and benefits to recruit more talents to join our R&D team to meet the R&D capacity required by the highly competitive overseas market.

(2) Important uses and production processes of main products

1. Important Applications of Optical Communication Filters

Our main products are thin film filters, and the main applications of these products are briefly described below.

① High density multiplexer is a high efficiency optical transmission method that can provide more than four channels of capacity under the existing optical fiber equipment Criteria, i.e., the capacity of the same fiber can be increased by more than four times, thus increasing the bandwidth of the network transmission; and the system uses a number of different wavelengths to share a single fiber, and can carry different wavelengths of signals at the same time, thus significantly increasing the bandwidth efficiency; it is mainly used in backbone networks.

②It is mainly used in the backbone network low-density multiplexing oscilloscope is a kind of optical transmission method, which uses thin-film filter technology of optical fiber transmission module, because it only has two channels and the wavelength spacing is larger, so the technical difficulty is lower, also because the data transmission volume is smaller. The cost of transceiver at both ends is lower because the data transmission volume is smaller; it is mainly used in local area networks. In addition, the new generation of optical transceiver modules designed directly on the user side will be used much more than LAN. The cloud base station also uses the large angle design principle, and its usage will explode.

③The gain flat filter (GFF) provides compensated and stable signal, Raman amplifier, and doping amplifier. The GFF is used to extend the transmission distance and is currently used in three networks in one system.

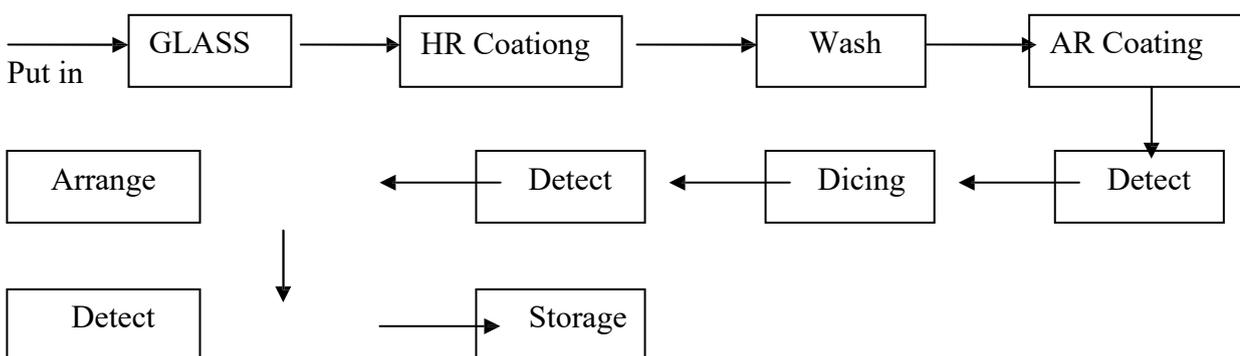
Band splitter, wide band pass filter, narrow band pass filter, narrow band pass filter with a band width of less than 10nm, with various uses, can improve the system quality and bandwidth.

Anti-reflective film is one of the optical filters and optical components used in digital cameras, projectors, cameras, medical instruments, astronomical telescopes and other lenses, that is, various optical components must be equipped with optical films.

The cutoff filter is a multi-wavelength filter, which is required for optical fiber to user, optical transceiver module, and passive optical fiber network.

Consumer electronics: Handheld consumer electronics, laptops, backlights, etc.

## 2. Optical communication filter production process



### (3) Supply of major raw materials

Main raw materials	Suppliers	Supply Status
Glass substrate	B1	Good, stable
Ta2O5	B2、B3	Good, stable

(4) List of major import and export customers

(1) The list of companies that have accounted for more than 10% of total shipments in any of the last two years, the amount and proportion of shipments, and the reasons for the increase or decrease

Unit: NT\$1,000

Item	2022				2023				2024 Q1			
	Name	Amount	Percentage of net imports (%)	Relationship with the issuer	Name	Amount	Percentage of net imports (%)	Relationship with the issuer	Name	Amount	Percentage of net imports (%)	Relationship with the issuer
1	B5	20,197	24.13	N	B1	32,451	41.86	N	B1	3,376	33.88	N
2	B2	8,510	10.17	N	B3	13,518	17.44	N	B3	2,902	29.19	N
3	B3	7,753	9.26	N	B5	9,920	12.80	N	B4	1,323	13.31	N
4	B1	7,100	8.48	N	B2	5,576	7.19	N	B2	-	-	N
5	B4	4,000	4.78	N	B4	3,087	3.98	N	B5	-	-	N
Other		36,134	43.18	-	Other	12,966	16.73	-	Other	2,347	23.62	-
Total		83,694	100.00	-	Total	77,518	100.00	-	total	9,939	100.00	-

Change Description:

The main raw materials for our company in the past two years have been glass substrates and TA2O5. Suppliers B2 and B3 provide TA2O5, while supplier B1 is the supplier of Japanese glass substrates. B4 supplies quartz rings, and B5 is the supplier of grids. The increase in procurement amount and proportion for B1 in 2023 is mainly due to the company raising the safety stock level of glass substrates in the first quarter of 2020 in response to the impact of the COVID-19 pandemic, resulting in increased procurement volume. However, the subsequent consumption rate was lower than expected due to revenue impacts, leading to renegotiations with suppliers on delivery schedules, and deliveries were made gradually in 2023. The increase in the proportion of B4 in the first quarter of 2024 is due to the decrease in the overall purchase amount. B5 Due to the expected lengthening of the delivery period and expected price increases, large purchases were made in 2022 and the amount was reduced in subsequent years. Changes in B2 and B3 are due to adjustments to the shares of different suppliers based on unit price and delivery time in accordance with the company's procurement policy.

(2) The list of customers who have accounted for more than 10% of the sales amount in any of the last two years, their sales amount and proportion, and the reasons for their increase or decrease

Unit: NT\$1,000: %

Item	2022				2023				2024 Q1			
	Name	Amount	Percentage of net imports (%)	Relationship with the issuer	Name	Amount	Percentage of net imports (%)	Relationship with the issuer	Name	Amount	Percentage of net imports (%)	Relationship with the issuer
1	A	136,275	21.84	N	D	49,254	13.58	N	C	11,491	14.44	N
2	B	94,163	15.09	N	A	32,034	8.83	N	A	9,711	12.21	N
3	C	43,691	7.00	N	C	23,514	6.48	N	B	3,395	4.27	N
4	D	30,629	4.91	N	B	20,471	5.64	N	D	-	-	N
	Other	319,235	51.16	-	Other	237,516	65.47	-	Other	54,964	69.08	-
	Total	623,993	100.00	-	Total	362,789	100.00	-	Total	79,561	100.00	-

Change Description:

Our company's sales to customers A, B, and C primarily consist of thin film filters, including those for the Internet of Things (IoT), server markets, and 5G-related applications. Among them, customers B and C contribute significantly to the demand for 5G fiber backbone networks in China and South Korea, respectively. In Q4 of 2021, customer B expanded into the US CATV market, resulting in increased total demand. Customer C began stocking up earlier than expected in Q1 of 2024, leading to increased demand. Customer A primarily places orders for the US CATV market and European telecom operators. Customer D experienced a significant increase in demand in 2023 due to winning a contract for a cloud data center. However, in Q1 of 2024, demand decreased because of the instability of the contract's requirements and changes in the 800G specifications.

To enhance market share and sustain stable growth, our company is not only focused on fulfilling existing customer orders but also dedicated to developing new markets and customer sources. We maintain close interactions with major optoelectronic manufacturers to gradually diversify sales risks.

(E) the last two Year production value

Unit: Thousands of pieces;  
New Taiwan Dollar  
Thousands

Year	2022			2023		
	Productivity	Capacity	Value of production	Productivity	Capacity	Value of production
Production Value Main Products						
Thin Film Filters and Optics	35,000	16,063	411,134	35,000	9,867	319,780
Other (Note)	-	-	917	-	-	185

\* Other represents revenue from the sale of spectrometers and maintenance of equipment parts

Change Description:

The output value and output of optical filters in 2023 will both decrease compared with 2022, mainly due to the slowdown in global 5G infrastructure construction, resulting in conservative demand for optical filters for high-density wavelength multiplexer (DWDM) systems.

(F) the last two year sales volume value

Unit: Thousand Pieces;  
Thousand Roots; New  
Taiwan Dollar Thousand

Year	Production Value	2022				2023			
		Domestic Sales		Export		Domestic Sales		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Main Products									
Thin Film Filters and Optical Coatings	5,086	171,104	9,788	451,532	2,751	52,687	6,177	309,879	
Other	1	1,357	-	-	-	223	-	-	
Total	5,087	172,461	9,788	451,532	2,751	52,910	6,177	309,879	

### Change Description:

Our company's sales are primarily focused on the export market, with the domestic market accounting for 14.58% and 27.64% of the total sales in the past two years, respectively. There have been no significant changes in the domestic sales proportion during this period.

3. The number of workers, average years of service, average age and education distribution ratio of employees in the industry for the last two years and as of the printing date of the annual report.

Unit: person

Year		2022	2023	As of April 30, 2024
Number of employees	Indirect Staff	74	70	70
	Direct personnel	161	161	155
	Total	235	231	225
Average age		37.31	38.50	38.50
Average years of service		6.36	7.10	7.60
Educational background distribution ratio	Master (including above)	12.77%	12.99%	13.33%
	junior college	53.19%	53.68%	53.34%
	High school (including below)	34.04%	33.33%	33.33%

### 4. Environmental Expenditure Information

In the most recent year and up to the date of publication of the annual report, the losses suffered due to environmental pollution (including compensation and environmental protection audit results in violation of environmental protection laws and regulations, the date of punishment, font size of punishment, violation of laws and regulations, content of violations of laws and regulations, content of punishment should be listed), And disclose the estimated amount and response measures that may occur at present and in the future. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated should be explained : None.

### 5. Labor relations

- (1) Various employee welfare measures, advanced education, training, retirement system and its implementation, as well as the agreement between labor and management and the protection measures of various employee rights and interests:

A. The company has established an employee welfare committee to handle the following welfare measures:

- (a) Monthly birthday celebrations will give birthday gift certificates to birthday stars.
- (b) Subsidies are paid every month when there are marriage, maternity and funeral leaves.
- (c) New Year's Day coupons or gifts are issued every year.
- (d) Regularly hold employee tours every year.

B. In addition to joining labor insurance and health insurance, each employee is covered by group welfare insurance. The insurance premium is paid by the company. Employees who are hospitalized due to injuries or accidents can apply for a subsidy NT\$1,000 for one day.

C. Handle employee health checks every certain period.

D. Scholarships for employees' children: In order to encourage employees' children's outstanding performance in school, scholarships and grants are established. It is held twice a year in March and September, divided into public and private colleges and universities (including research institutes), high schools and junior high schools. Please apply according to the eligibility requirements of the Scholarship Implementation Regulations, which is hereby encouraged.

E. Profit sharing: Year-end bonuses, employee bonuses and performance bonuses are distributed to employees according to the operating conditions.

F. Employee stock trusts: They provide employees with an additional channel to participate in sharing the company's operating results through regular and fixed contributions. By

subsidizing the trust with public funds, it enhances employee benefits and assists employees in achieving long-term financial planning and retirement plans.

G. The pension system and its implementation:

The Employees' Retirement Fund Supervisory Committee was formally established on December 17, 2003 in accordance with the provisions of the Labor Standards Act.

The Committee was established on December 17, 2003, in accordance with the Labor Standards Act, and the Science Park Administration approved the rules for employee retirement on December 29, 2003. Since its establishment, the committee has been making monthly contributions at the rate of total salary, and the criteria and methods of pension application are in accordance with the Labor Standards Law. In addition, since July 1, 2005, the Company has established a defined contribution pension plan in accordance with the Labor Pension Act, which is applicable to employees of the Company's nationality. The Company makes monthly contributions of 6% of salary to the Labor Pension Fund for employees who choose to be covered by the Labor Pension Act. The Company contributes 6% of salaries and wages to the employees' personal accounts at the Labor Insurance Bureau each month, and the employees' pensions are paid in the form of monthly pensions or lump-sum pensions, depending on the amount of the employees' individual pension accounts and accumulated earnings. The employees' pensions are paid in the form of monthly pensions or lump-sum pensions, depending on the number of their individual pension accounts and accumulated earnings.

- (2) The losses suffered from labor disputes in the latest Year and up to the date of printing of the annual report (including the labor inspection results in violation of the Labor Standards Act, the date of the sanction, the sanction number, the provisions of the law violated, the content of the law violated, the content of the sanction) should be listed, and the estimated amount of current and possible future losses and the measures to be taken should be disclosed. The Company shall disclose the estimated amount of current and potential future losses and the measures to be taken, and if the amount cannot be reasonably estimated, the fact that it cannot be reasonably estimated:

Details of possible losses suffered by the Company as a result of labor disputes are set out in VII, VI, (12) Description of litigation or non-litigation events.

6. Information security management:

- (1) Describing the framework for managing information and communication security risks, information and communication security policies, specific management plans, and resources invested in information and communication security management:
- A. The Company has established its own internal control system and internal control self-inspection operation with reference to the COSO framework, measuring the control environment, risk assessment, control activities, information and communication, supervision and other elements, which is an overview of risk management and internal control functions. The internal control system and the internal control self-inspection operation of the Company's operation management mechanism shall outline the functions of risk management and internal control, and only describe the risk management mechanism of Ares is as follows:
- B. The Company shall establish an internal control information cycle and personal data protection management practices in accordance with relevant laws and regulations and the Company's business needs to ensure the achievement of reliability targets and continuous improvement. The Company shall continue to implement innovative information security technologies, integrate information security control mechanisms into its regular workflow, systematically monitor information security, maintain the confidentiality, integrity and availability of important assets, and ensure the safe maintenance of information systems and equipment networks to achieve sustainable business objectives.
- C. Specific Management Plan The Company's information security risks are identified through the results of risk identification and risk assessment to determine the extent to which such information security risks may have an adverse impact on business operations and to take corresponding management measures. After evaluating and assessing the information security risks, we plan the information security control plan:
- (a) Network firewall setup.
  - (b) Anti-virus software settings.
  - (c) System program data access control.
  - (d) E-mail management control.

(e) Information system disaster recovery plan. The management of the Company carries out internal control implementation and risk supervision management in accordance with its business areas and operational management mechanism and processes.

The Company has included the information security check controls in the Year Audit Item, and the audit unit conducts an audit at least once every Year; and the Company implements self-inspection of the risk internal control system every Year. The Company implements a risk-based internal control system self-inspection exercise every Year, including the information cycle internal control self-inspection exercise, which also includes the information security inspection control. The Company will summarize the effectiveness of the implementation of risk-based internal controls and submit it to the Board of Directors for review and confirmation, and disclose the internal control self-assessment in the annual report.

#### D. Investment in Information Security Management

Our company is committed to continuously implementing information security management. In 2021, we strengthened our investment in information and communication security environment, including firewall, VPN, etc., with related costs amounting to NT\$565,000. In 2022, we further expanded our investment, including hardware servers, virtual telephone systems, and the establishment of comprehensive backup and restoration plans, resulting in costs related to information and communication security amounting to NT\$1,847,000. In 2023, to counter ransomware, an investment of NT\$ 350,000 was made to enhance the backup capability of hardware servers.

(2) To set out the losses suffered as a result of major information security incidents, their possible impact and the measures taken as at the latest Year and up to the date of printing of the annual report: None.

#### 7. Major Contracts

Contract nature	The Party	Contract start and end date	Main Content	Restrictions
Lease contract	South Science Part Admin. Bureau	2024.01.01~2024.12.31	Lease of factory : 1st floor of building no.5, 2nd, 3rd, and 4th floors of building no.5&7, 2nd floor of building no.13, 2nd floor of building no.11, 2nd floor of building no.9, and 4th floor of building no.3.	No subletting

## VI. Financial Overview

### 1. Condensed Balance Sheet and Consolidated Profit and Loss Account for the last five years and the Accountant's Opinion

#### (1) Condensed Balance Sheet and Consolidated Profit and Loss Account

#### Condensed Balance Sheet - International Financial Reporting Standards (Consolidated Financial Statements)

Unit: NT\$1,000

Year Item	Financial information for the last five years					2024 Q1 (Note 2)	
	2019	2020	2021	2022	2023		
Current Assets	1,129,743	829,717	728,214	905,996	784,528	736,657	
Property, plant and equipment	339,247	518,790	627,338	460,438	349,295	318,068	
Intangible assets	2,658	2,223	2,225	1,423	789	673	
Other assets	141,454	186,804	35,322	87,328	112,526	123,935	
Total assets	1,613,102	1,537,534	1,393,179	1,455,185	1,247,138	1,179,333	
Current Liabilities	Before distribution	277,806	156,054	102,224	118,932	103,831	71,282
	After distribution	354,806	252,304	179,242	195,950	Note1	Not yet distributed
Non Current Liabilities	16,488	5,528	4,528	37,797	28,149	26,036	
Total Liabilities	Before distribution	294,294	161,582	106,752	156,729	131,980	97,318
	After distribution	371,294	257,832	183,770	233,747	Note1	Not yet distributed
Equity attributable to owners of the parent company	1,318,808	1,375,952	1,286,427	1,298,456	1,115,158	1,082,015	
Share Capital	385,090	385,090	385,090	385,090	385,090	385,090	
Capital surplus	692,108	692,108	692,441	692,441	692,441	692,441	
Retained earnings	Before distribution	257,455	318,327	233,776	246,328	65,955	33,449
	After distribution	180,455	222,077	156,758	169,310	(Note1)	Not yet distributed
Other equity	(15,428)	(19,156)	(24,880)	(25,403)	(28,328)	(28,965)	
Treasury shares	(417)	(417)	-	-	-	-	
Non-controlling interests	-	-	-	-	-	-	
Total Equities	Before distribution	1,318,808	1,375,952	1,286,427	1,298,456	1,115,158	1,082,015
	After distribution	1,241,808	1,279,702	1,209,409	1,221,438	Note1	Not yet distributed

\*The deficit compensation for fiscal 2023 was approved by the Board of Directors on March 8, 2024 and has not yet been approved by the shareholders' meeting.

\*The financial information for the first quarter of 2024 has been reviewed by an accountant and prepared in accordance with International Financial Reporting Standards.

Condensed Consolidated Income Statement - International Financial Reporting Standards (Consolidated Financial Statements)

Unit: NT\$1,000

Year Item	Financial information for the last five years					2024 Q1 (Note 1)
	2019	2020	2021	2022	2023	
Operating revenue	617,017	710,777	518,827	623,993	362,789	79,561
Gross profit from operations	323,127	378,165	191,986	256,266	36,712	(642)
Profit or loss from operations	125,059	181,491	11,989	73,002	(147,435)	(56,341)
Non-operating income and expenses	(7,343)	(14,124)	(8,366)	38,757	11,201	15,697
Net profit before tax	117,716	167,367	3,623	111,759	(136,234)	(40,644)
Continuing operations Net profit for the period	93,678	137,872	11,699	89,570	(103,555)	(32,506)
Loss of discontinued units	-	-	-	-	-	-
Net profit (loss) for the period	93,678	137,872	11,699	89,570	(103,555)	(32,506)
Other comprehensive income for the period (net of tax)	(1,848)	(3,728)	(5,724)	(523)	(2,925)	(637)
Total comprehensive profit or loss for the period	91,830	134,144	5,975	89,047	(106,280)	(33,143)
Net profit attributable to owners of the parent company	93,678	137,872	11,699	89,570	(103,355)	(32,506)
Net profit attributable to non-controlling interests	-	-	-	-	-	-
Total consolidated profit or loss attributable to owners of the parent company	91,830	134,144	5,975	89,047	(106,280)	(33,143)
Total consolidated profit or loss attributable to non-controlling interests	-	-	-	-	-	-
Earnings per share	2.78	3.58	0.30	2.33	(2.68)	(0.84)

Note1: The financial data for the first quarter of the 2024 has been reviewed by the auditor and prepared in accordance with International Financial Reporting Standards.

Condensed Balance Sheet - International Financial Reporting Standards (Individual Financial Statements)

Unit: NT\$1,000

Year Item	Financial information for the last five years					
	2019	2020	2021	2022	2023	
Current Assets	1,128,962	828,686	726,849	905,109	783,750	
Property, plant and equipment	339,124	518,700	627,330	460,414	349,295	
Intangible assets	2,658	2,223	2,255	1,423	789	
Other assets	136,676	184,169	34,380	78,273	102,909	
Total assets	1,607,420	1,533,778	1,390,814	1,445,219	1,236,743	
Current Liabilities	Before distribution	267,909	145,580	93,314	108,139	92,243
	After distribution	344,909	241,830	170,332	185,157	(Note 1)
Noncurrent liabilities	20,703	12,246	11,073	38,624	29,342	
Total Liabilities	Before distribution	288,612	157,826	104,387	146,763	121,585
	After distribution	365,612	254,076	181,405	223,781	(Note 1)
Equity attributable to owners of the parent company	1,318,808	1,375,952	1,286,427	1,298,456	1,115,158	
Capital	385,090	385,090	385,090	385,090	385,090	
Capital Surplus	692,108	692,108	233,776	246,328	692,441	
Retained Earnings	Before distribution	257,455	318,327	233,776	246,328	65,955
	After distribution	180,455	222,077	156,758	169,310	(Note 1)
Other equities	(15,428)	(19,156)	(24,880)	(25,403)	(28,328)	
Treasury Stocks	(417)	(417)	-	-	-	
Non-controlling interests	-	-	-	-	-	
Total Equalities	Before distribution	1,318,808	1,375,952	1,286,427	1,298,456	1,115,158
	After distribution	1,241,808	1,279,702	1,209,409	1,221,438	(Note 1)

Note1 : The deficit compensation for the year 2023 was approved by the Board of Directors on March 8, 2024 and was not approved by the shareholders' meeting.

Condensed Income Statement - International Financial Reporting Standards (Individual Financial Statements)

Unit: NT\$1,000

Year Item	Financial information for the last five years				
	2019	2020	2021	2022	2023
Operating revenue	617,017	710,777	518,827	623,993	362,789
Gross profit from operations	317,316	372,344	186,185	251,473	32,381
Operating profit or loss	126,894	181,996	11,562	73,227	(147,528)
Non-operating income and expenses	(9,178)	(14,629)	(7,939)	38,532	11,294
Net profit before tax	117,716	167,367	3,623	111,759	(136,234)
Net profit for the period from continuing operations	93,678	137,872	11,699	89,570	(103,555)
Loss from discontinued operations	-	-	-	-	-
Net profit (loss) for the period	93,678	137,872	11,699	89,570	(103,555)
Other comprehensive profit or loss for the period (net of tax)	(1,848)	(3,728)	(5,724)	(523)	(2,925)
Total comprehensive profit or loss for the period	91,830	134,144	5,975	89,047	(106,280)
Earnings per share	218	3.58	0.30	2.33	(2.68)

(2) Name and audit opinion of the accountant for the last five years

Year	Accounting Firm	CPA's Name	Auditor's Opinions
2019	Ernst & Young	Chen Minghong, Chen Zhengchu	unqualified opinion
2020	Ernst & Young	Chen Minghong, Chen Zhengchu	unqualified opinion
2021	Ernst & Young	Hong, Guo Sen, Chen Zhengchu	unqualified opinion
2022	Ernst & Young	Huang Shih-Chieh, Hong, Guo Sen	unqualified opinion
2023	Ernst & Young	Huang Shih-Chieh, Hong, Guo Sen	unqualified opinion

## 2. Financial analysis for the last five years

### (1) International Financial Reporting Standards (Consolidated Financial Statements)

Year Item (Note 1)	Financial analysis for the last five years					2024 Q1		
	2019	2020	2021	2022	2023			
Financial structure (%)	Liabilities to assets ratio	18.24	10.51	7.66	10.77	10.58	8.25	
	Long-term capital to property, plant and equipment	393.61	266.29	205.77	290.21	327.31	348.36	
Solvency capacity (%)	Equipment ratio	406.67	531.69	712.37	761.77	755.58	1,033.44	
	Current Ratio	370.78	445.52	594.50	653.75	633.50	866.12	
	Quick Ratio	2,902.76	7,418.19	1,123.45	12,685.47	(16,413.21)	(20,743.07)	
Operating capacity	Interest coverage multiple	4.49	4.62	3.46	4.39	2.99	3.09	
	Receivables turnover rate (times)	81.29	79.00	105.49	83.14	122.07	118.12	
	Average collection days	3.56	2.94	2.66	3.07	2.83	2.72	
	Inventory turnover rate (times)	18.33	17.18	18.47	26.86	19.34	28.23	
	Payables turnover rate (times)	102.53	124.15	137.22	118.89	128.97	134.19	
	Average sales days	2.05	1.66	0.91	1.14	0.89	0.95	
	Property, plant and equipment turnover rate (times)	0.48	0.45	0.35	0.43	0.26	0.26	
Profitability	Total assets turnover rate(%)	7.55	8.87	0.82	6.33	(7.60)	(3.33)	
	Return on Assets (%)	9.16	10.23	0.88	6.93	(8.56)	(2.95)	
	Percentage of paid-in capital (%)	Operating income	32.48	47.13	3.11	18.95	(38.28)	(14.63)
		Net income before income tax	30.57	43.46	0.94	29.02	(35.37)	(10.55)
	Net Income Ratio (%)	15.18	19.40	2.25	14.35	(28.48)	(40.85)	
	Earnings per share (NT\$)	2.78	3.58	0.30	2.33	(2.68)	(0.84)	
Cash flow	Cash flow ratio (%)	61.45	195.27	109.61	257.26	19.71	(12.64)	
	Cash flow allowance ratio (%)	129.68	94.94	76.26	95.37	84.68	47.96	
	Cash reinvestment ratio (%)	6.40	11.45	0.72	10.01	(2.54)	(0.40)	
Leverage	Operating leverage	1.80	1.72	13.80	3.35	(0.10)	0.29	
	Financial leverage	1.03	1.01	1.03	1.01	0.99	1.00	

Please state the reasons for the changes in each financial ratio for the last two years. (Analysis may be waived if the change is not significant)

\*Interest coverage ratio, real estate, plant and equipment turnover rate, total asset turnover rate, return on assets, return on equity, operating profit & pre-tax net income to paid-in capital ratio, net profit rate, and earnings per share are all higher than in 2022. The decrease is due to the slowdown in global 5G infrastructure construction in 2023, resulting in conservative demand for optical filters for high-density wavelength multiplexer (DWDM) systems, resulting in a 40% year-on-year decrease in annual revenue and a loss of NTD 2.68 per share.

\*The receivables turnover rate decreased and the average cash collection days increased, which was due to delayed payments by some cloud data center customers.

\*The decrease in payables turnover rate reflects changes in purchase amounts from suppliers with different transaction dates.

\*The decrease in operating leverage compared with 2022 is due to the fact that the first explanation mentioned that the 2023 settlement will be a loss.

\*The decrease in cash flow ratio and cash reinvestment ratio compared with 2022 is due to the decrease in net cash inflow from operating activities due to the loss in 2023 mentioned in the first explanation.

(2) International Financial Reporting Standards (Individual Financial Reporting)

Year Item (Note 1)		Financial analysis for the last five years				
		2019	2020	2021	2022	2023
Financial structure (%)	Liabilities to assets ratio	17.95	10.29	7.51	10.15	9.83
	Long-term capital to property, plant and equipment	394.99	267.63	206.83	290.40	327.66
Solvency capacity (%)	Current Ratio	421.40	569.23	778.93	836.98	849.65
	Quick Ratio	384.26	476.99	650.00	718.42	712.53
	Interest coverage multiple	2,972.52	7,798.57	1,635.17	15,202.56	(20,667.37)
Operating capacity	Receivables turnover rate (times)	4.49	4.62	3.46	4.39	2.99
	Average collection days	81.29	79.00	105.49	83.14	122.07
	Inventory turnover rate (times)	3.63	2.99	2.71	3.11	2.87
	Payables turnover rate (times)	18.69	17.49	18.80	27.21	19.60
	Average sales days	100.55	122.07	134.69	117.36	127.17
	Property, plant and equipment turnover rate (times)	2.05	1.66	0.91	1.14	0.89
	Total assets turnover (times)	0.48	0.45	0.35	0.44	0.27
Profitability	Return on Assets (%)	7.57	8.89	0.81	6.35	(7.66)
	Return on equity (%)	9.16	10.23	0.88	6.93	(8.56)
	Percentage of Operating income of Net income before paid-in capital income tax (%)	32.95	47.26	3.00	19.01	(38.31)
	Net Income Ratio (%)	15.18	19.40	2.25	14.35	(28.48)
	Earnings per share (NT\$)	2.78	3.58	0.30	2.33	(2.68)
	Cash flow	Cash flow ratio (%)	63.50	207.71	117.97	281.52
Cash flow allowance ratio (%)		130.21	95.44	76.71	94.15	60.75
Cash reinvestment ratio (%)		6.39	11.36	0.63	9.96	(2.67)
Leverage	Operating leverage	1.77	1.71	14.09	3.31	(0.08)
	Financial leverage	1.03	1.01	1.02	1.01	0.99

Please explain the reasons for the changes in each financial ratio for the last two years.

1. Interest coverage ratio, real estate, plant and equipment turnover rate, total asset turnover rate, return on assets, return on equity, operating profit & pre-tax net income to paid-in capital ratio, net profit rate, and earnings per share are all higher than those in 2022. The decrease is due to the slowdown in global 5G infrastructure construction in 2023, resulting in conservative demand for optical filters for high-density wavelength multiplexer (DWDM) systems, resulting in a 40% year-on-year decrease in annual revenue and a loss of NTD 2.68 per share.

2. The receivables turnover rate decreased and the average cash collection days increased, which was due to delayed payments by some cloud data center customers.

3. The decrease in payables turnover rate reflects changes in purchase amounts from suppliers with different transaction dates.

4. The decrease in operating leverage compared with 2022 is due to the fact that the first explanation mentioned that the 2023 settlement will be a loss.

5. The decrease in cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio compared with 2022 is due to the decrease in net cash inflow from operating activities due to the loss in 2023 mentioned in the first explanation.

Note1: The calculation formula for analysis items is as follows:

A. Financial structure

- (a) Liabilities to assets ratio = total liabilities/total assets
- (b) Ratio of long-term funds to real estate, plant and equipment = (total equity + non-current liabilities) / net real estate, plant and equipment

B. Solvency

- (a) Current ratio = current assets/current liabilities
- (b) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities
- (c) Interest coverage ratio = Net income before income tax and interest expenses/Interest expense for the current period

C. Management capacity

- (a) Accounts receivable (including accounts receivable and notes receivable arising from business) turnover rate = net sales / average accounts receivable for each period (including accounts receivable and notes receivable arising from business) )Balance
- (b) Average cash collection days = 365/accounts receivable turnover rate
- (c) Inventory turnover rate = cost of goods sold / average inventory amount
- (d) Accounts payable (including accounts payable and bills payable arising from business) turnover rate = cost of goods sold / average balance of accounts payable (including accounts payable and bills payable arising from business) in each period
- (e) Average sales days = 365/inventory turnover rate
- (f) Property, plant and equipment turnover rate = net sales/average net property, plant and equipment
- (g) Total asset turnover rate = net sales / average total assets

D. Profitability

- (a) Return on assets = [profit and loss after tax + interest expense × (1 - tax rate)] / average total assets
- (b) Return on equity = after-tax profit and loss/average total equity
- (c) Net profit margin = after-tax profit and loss/net sales
- (d) Earnings per share = (Profit and loss attributable to owners of the parent company - Special stock dividends) / Weighted average number of shares in issue

E. Cash Flow

- (a) Cash flow ratio = net cash flow from operating activities / current liabilities
- (b) Net cash flow adequacy ratio = net cash flow from operating activities in the last five years / the last five years (capital expenditure + inventory increase + cash dividends)
- (c) Cash reinvestment ratio = (net cash flow from operating activities – cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital)

F. Leverage

- (a) Operating leverage = (net operating income - variable operating costs and expenses) / operating profit
- (b) Financial leverage = operating profit / (operating profit - interest expense)

3. Audit Committee's Review Report on the most recent Year's financial report

March 8, 2024

To: 2024 Company's shareholders' meeting

## Apogee Optcom Co., Ltd. Audit Committee's Audit Report

Audit Committee completed the audit of the proposal of the Company's 2023 business report, financial statements (including individual financial statements) and the profit distribution prepared by the Boards of Directors, and the consolidated financial statements and individual financial statements audited and certified by accountants Huang, Shih-Chieh and Hong, Guo-Sen from Ernst & Young (EY). In accordance with Article 14-4 of the Securities Exchange Law and Article 219 of the Company Act, there are no discrepancies of the above-mentioned reports. Please verify.

Sincerely

Apogee Optcom Co., Ltd.

Convener of Audit Committee: Zheng Youren



4. The most recent annual financial statements, including the auditors' report, two-year comparative balance sheet, consolidated statement of income, statement of changes in equity, statement of cash flows, and accompanying notes or schedules: Please refer to the following P86~150.
  
5. The Company's most recent audited Individual financial statements (excluding the schedule of significant items): Please refer to the following P151~225.
  
6. The effect on the financial position of the Company and its affiliates if financial difficulties occurred during the last year and as of the date of the annual report:  
None.

## VII, Review and Analysis of Financial Position and Financial Performance and Risk Issues

### I. Financial Position

#### Comparative Analysis of Financial Position

Unit: NT\$1,000

Year Acct. Item	2023	2022	Variance	
			Amount	%
Current Assets	784,528	905,996	(121,468)	-13.14%
Property, plant and equipment	349,295	460,432	(111,143)	-24.14%
Intangible Assets	789	1,423	(634)	-44.55%
Other Assets	112,526	87,328	25,198	28.85%
Total Assets	1,247,138	1,455,185	(208,047)	-14.30%
Current Liabilities	103,831	118,932	(15,101)	-12.70%
Non-current liabilities	28,149	37,797	(9,648)	-25.53%
Total liabilities	131,980	156,729	(24,749)	-15.79%
Share capital	385,090	385,090	-	-
Capital surplus	692,441	692,441	-	-
Retained earnings	65,955	246,328	(180,373)	-73.22%
Other equities	(28,328)	(25,403)	(2,925)	11.51%
Total shareholders' equity	1,115,158	1,298,456	(183,298)	-14.12%

Description of significant changes: (The change in the amount of funds reaches more than 10%, and the amount of funds reaches more than 1% of the total output of the current year).

1. Current assets, total assets, retained earnings, and total shareholders' equity all decreased compared with 2022. This is due to the slowdown in global 5G infrastructure construction in 2023, resulting in conservative demand for filters for high-density wavelength multiplexer (DWDM) systems. Annual revenue fell by 40% year-on-year, resulting in a loss of NTDS\$2.68 per share, and the total cash and equivalent cash and financial assets measured at amortized cost (all of which are time deposits with a contract period of more than three months) decreased compared with last year. 117,284 thousand yuan.
2. The decrease in real estate, plant and equipment compared with 2022 is due to the continued provision of depreciation expenses.
3. The increase in other assets and the decrease in current liabilities and total liabilities were due to the fact that there were no current income tax liabilities due to annual losses and deferred income tax assets were recognized.

## 2. Financial Performance

### (1) Comparative financial performance analysis table

Unit: NT\$1,000

Year Accounting Items	2023	2022	Discrepancy	
			Amount	%
Net Operating Revenue	362,789	623,993	(261,204)	-41.86%
Operating cost	326,077	367,727	(41,650)	-11.33%
operating profit	36,712	256,266	(219,554)	-85.67%
Operating expenses	184,147	183,264	883	0.48%
Operating profit	(147,435)	73,002	(220,437)	-301.96%
Non-operating income and expenses	11,201	38,757	(27,556)	-71.10%
Net profit before tax	(136,234)	111,759	(247,993)	-221.90%
Income tax benefit (fee)	32,879	(22,189)	55,068	-248.18%
Net profit for the period	(103,355)	89,570	(192,925)	-215.39%
Significant changes: (Change in amount of 10% or more, and amount of more than 1% of total Assets for the year)				
1. Net operating income, operating costs, operating gross profit, operating net profit, pre-tax net profit, and net profit for the current period decreased compared with 2022. This is due to the slowdown in global 5G infrastructure construction in 2023, resulting in the use of high-density wavelength multiplexer (DWDM) systems. Due to the conservative demand for optical filters, the annual revenue fell by 40%, resulting in a loss of NTD 2.68 per share.				
2. The increase in income tax benefits compared to 2022 is due to the shift to losses before tax.				
3. The decrease in non-operating income and expenses compared with 2022 was due to the relative decrease in exchange benefits recognized due to fluctuations in the US dollar/Taiwan dollar exchange rate.				

### (2) Expected sales volume and its basis, possible impact on the Company's future financial operations and plans for response.

#### A. Expected sales volume in the coming year and its basis

The 2023 sales target is reasonably prepared by taking into account factors such as market demand, the company's production capacity and future prospects of customers. It is estimated that the company's performance will show stable growth in the future, which will bring positive benefits to the company.

#### B. Possible impact on the Company's future financial operations and contingency plans: None.

## 3. Cash flows

### (1) Analysis of changes in cash flows

Unit: NT\$1,000

Item	2023	2022	Increase (decrease) change
Net cash inflow from operating activities	20,467	305,973	(285,506)
Net cash outflow from investing activities	(119,981)	(147,314)	27,333
Net cash flow (outflow) from financing activities	(89,807)	(98,797)	8,990
Analysis of changes: (Amount changed by 10% or more and amounted to more than 1% of total Assets for the year)			
(1) The decrease in net cash inflow from operating activities is due to the slowdown in global 5G infrastructure construction in 2023, resulting in conservative demand for filters for high-density wavelength multiplexer (DWDM) systems, resulting in a 40% year-on-year decrease in annual revenue. Due to the decrease in period cash inflows			
(2) The decrease in cash outflow from investing activities was due to a decrease of NTD 52,368 thousand in financial assets measured at amortized cost (i.e., converted into time deposits with a contract period of more than three months) compared with the same period last year.			

(2) Improvement plans for lack of liquidity: None.

(3) Cash flow analysis for the coming year

Unit: NT\$1,000

Cash and cash equivalents at beginning of period (Note 1)	Estimated full-year net cash flow from operating activities	Estimated yearly cash flow (out)	Estimated surplus (shortfall) of cash +/-	Remedy for the estimated cash shortfall	
				Investment Plan	Financing Plan
512,340	111,930	(78,600)	545,670	-	-

Analysis:  
The cash inflow from operating activities in the next year is expected to be approximately 111,930 thousand yuan; the purchase of production equipment will generate a cash outflow of 78,600 thousand yuan, and the remaining cash at the end of the period is estimated to be 545,670 thousand yuan.

Note: Including financial assets stated at cost after amortization (all time deposits with contractual maturity over three months)

4. Impact of recent significant capital expenditure on financial operations: None.

5. Recent year's transfer policy, main reasons for profit or loss, improvement plan and investment plan for the coming year

(1) The Company's reinvestment policy.

The Company's current reinvestment policy is carried out by the relevant executive departments and follows the internal control system "Investment Cycle" and "Regulations Governing the Acquisition and Disposal of Assets". The Company follows the internal control system "Investment Cycle" and "Regulations Governing the Acquisition and Disposal of Assets" to evaluate the past and prospective outlook of the investee companies, market conditions and the quality of operations in order to form the basis for investment conclusions by the decision-making authority.

(2) Main reasons for loss on reinvestments. Statement of Analysis of Reinvestment – Equity Method

Unit: NT\$1,000

Reinvestment	Major business item	Recognize the most recent year (2023) investment gain or loss of the investee company	The main reasons for the profit or loss	Improvement Plan	Investment plan for the coming year
Ferrule Precision Co. Ltd.	Optical Communication Components – Ceramic Inserts, Optical modulator	(125)	The Company discontinued production in May 2016 and continued to recognize depreciation on its plants and interest expenses on bank loans after the disposal of its ceramic insert production line in September 2017.	Activate assets	Future expansion of optical communication-related products subject to operational needs

(3) Investment plans for the coming year: None.

6. Risk factors should be analyzed and assessed for the most recent year and up to the date of printing of the annual report as follows.

(1) The impact of changes in interest rates, exchange rates and inflation on the Company's profit and loss and future measures to address them:

A. Impact of changes in interest rates

The interest expenses for the fiscal year 2023 and 2022 were 825 thousand NT dollars and 888 thousand NT dollars, respectively. They accounted for 0.23% and 0.14% of the respective operating revenues and (0.61)% and 0.79% of the pre-tax net profits.

Based on the company's prudent and conservative financial management foundation, the financial department maintains close contact with the bankers on weekdays and closely grasps relevant information on interest rate changes to judge future interest rate trends and appropriately adjust the use of funds.

#### B. Effect of exchange rate changes

The foreign exchange gains (losses) for the fiscal years 2023 and 2022 were (1,379) thousand NT dollars and 32,838 thousand NT dollars, respectively. They accounted for (0.38%) and 5.26% of the respective operating revenues and 1.01% and 29.38% of the pre-tax net (losses) profits. The company utilizes hedging derivative financial instruments to manage the foreign currency exposure of certain receivables, supplemented by natural hedging. Additionally, our finance department maintains close communication with banks on a regular basis and closely monitors information related to currency exchange rate fluctuations to assess future trends and minimize the impact of exchange rate changes on the company's operating profits.

#### C. Inflation

To date, there has been no inflation that has had a material impact on the Company's profit or loss. In addition to closely monitoring market price fluctuations and actively developing sources of raw material supply to reduce production costs, the Company has been able to maintain good customer relationships and reflect production costs in product prices in a timely manner, thus effectively reducing the impact of inflation on the Company's profitability.

(2) The policy of engaging in high-risk, highly leveraged investments, lending of funds to others, endorsement of guarantees and derivative transactions, the main reasons for profit or loss, and future measures to deal with them:

A. The Company operates its business in a practical and dedicated manner and its financial policy is consistent with the principles of prudence and conservatism, and it does not engage in high-risk, highly leveraged investments.

B. In the most recent year and up to the date of the annual report, the Company has endorsed guarantees and loaned funds to others for its subsidiary Ferrule Precision Co. The Company follows the Company's endorsement and lending procedures and makes public the relevant information.

C. To hedge the risk of exchange rate fluctuations and engage in transactions of derivative financial instruments, the transactions are governed by the "Regulations Governing the Acquisition and Disposal of Assets" established by the Company. As of the printing date of the annual report for the fiscal year 2023 and fiscal year 2024, the relevant transactions were carried out in accordance with the Regulations Governing the Acquisition and Disposal of Assets, and the transactions were processed and announced in accordance with the provisions of the Act.

(3) Future research and development plans and estimated investment in research and development:

#### A. Future R&D plans

We will focus on the design, production and sales of optical passive components. In the future, we will vertically integrate key upstream materials and devices, develop multi-functional hybrid components, and design basic passive components to be miniaturized, hybrid and meet the demand for high power and high capacity transmission in order to enhance our competitive edge.

#### B. Estimated R&D expenditure:

The research and development (R&D) expenses for the fiscal years 2022 and 2023 were 94,040 thousand NT dollars and 97,995 thousand NT dollars, respectively, accounting for 25.92% and 10.70% of the respective annual operating revenues. As technological innovation and R&D are fundamental to the company's continuous growth and sustainable operations, R&D expenses are allocated each year. For the year 2024, it is projected that 97,194 thousand NT dollars will be invested in R&D, based on new products, technologies, and development progress. As the company's revenue grows in the future, R&D expenses will gradually increase to support future R&D initiatives and enhance the company's market competitiveness.

(4) Impact of significant domestic and international policy and legal changes on the Company's financial operations and measures to deal with them. The Company has always operated in good faith and in compliance with the laws and regulations promulgated by relevant governments and institutions both domestically and internationally. In addition to carrying out its business in accordance with existing laws and regulations, the Company closely monitors the direction, policy formation, legislative process and details of important domestic and international policies related to

its operations and propose timely and proactive measures in response. As of the date of publication of the annual report, the Company has not been affected by any significant domestic or international policy and legal changes that may have an impact on its finances and operations.

- (5) Impact of technological changes and industry changes on the Company's financial business and measures to deal with them: As applications such as smart phones, cloud computing and online games continue to drive the demand for network bandwidth, coupled with the development of new technologies such as audio-visual interaction, government entities and private organizations are more active than ever in promoting broadband construction projects. This has created opportunities for the growth of the optical communications industry. We will continue to capture the growth momentum of the optical-to-home market and maintain our competitiveness by continuing to develop our technology development capabilities while maintaining sound and flexible financial management to meet the challenges of technological and industry changes.
- (6) The impact of the change in the corporate image on corporate crisis management and the actions are taken in response: Since its establishment, the Company has complied with the relevant laws and regulations, actively strengthened its internal management, and improved its management quality and performance, while maintaining harmonious labor relations in order to continuously maintain a good corporate image.
- (7) Expected benefits, possible risks, and responses to mergers and acquisitions: In the recent year and as of the date of the annual report, there were no plans to merge and acquire other companies. If there are any future mergers and acquisitions, we will conduct various benefit assessments and risk management in a prudent manner in accordance with all operational requirements to ensure the protection of the Company's interests and shareholders' rights.
- (8) Expected benefits of plant expansion, potential risks and contingency measures: The expansion of production capacity will mainly be based on the purchase of additional equipment, and if there is a lack of use of the plant, we intend to lease additional standard plants of South Science Park to cope with it.
- (9) Risks associated with the concentration of imports or sales and measures to deal with them:
- A. Concentrated supply  
As a professional optical coating component manufacturer, the main raw materials are glass substrates and metal targets, which are sourced from a number of domestic and overseas suppliers, and more than two suppliers are maintained to diversify the risk. The Company has accumulated many years of coating technology and experience, in addition to close communication and cooperation with major suppliers and maintain a good cooperative relationship, and at the same time with the development of new products to actively seek new sources of supply to ensure a stable supply of goods without the risk of shortage.
- B. Concentrated Sales  
In the fiscal years 2022 and 2023, the sales to any single customer did not exceed 25% of the respective period's net revenue. In addition to maintaining long-term partnerships with existing customers, the company actively seeks to develop new customers and products, and expand its business sources to improve customer diversification. Therefore, the company does not face significant risks related to sales concentration.
- (10) Impact of substantial transfer or replacement of shareholdings of Directors, Supervisors or major shareholders holding more than 10% of the shares on the Company, risks and countermeasures: There was no significant transfer of shareholdings of Directors, Supervisors and substantial shareholders during the last year and up to the date of printing of the annual report. The reasons for the transfer were mostly due to the shareholders' own financial management and did not affect the actual operating conditions of the Company.

(11) Impact of changes in operating rights on the Company, risks and contingency measures: There has been no change in operating rights in the latest Year and as at the date of printing of the annual report.

(12) Litigation or non-litigation cases:

A.If there is a litigation, non-litigation or administrative dispute that has been determined or is currently pending in the Company's latest Year and as at the date of printing of the annual report, the outcome of which may have a material impact on shareholders' equity or the price of securities, the facts of the dispute, the amount of the subject matter, the date of commencement of the litigation, the principal parties involved and the current status of the case should be disclosed. The parties involved in the litigation and the current status:

In 2020, due to an employee named Liu OO requesting the Taiwan Tainan District Court to confirm the existence of an employment relationship with our company, a civil lawsuit was filed. The Taiwan Tainan District Court issued a first-instance judgment on August 26, 2022, stating that our company should pay NT\$50,000 per month from August 22, 2020, until the day before the plaintiff resumes work. Additionally, interest should be calculated at an annual rate of 5% from the day after the due date until the date of settlement, and a retirement pension of NT\$3,036 should be paid monthly. Our company has filed an appeal, and the court is currently reviewing the case. This has no significant impact on our financial operations.

B.The Company's Directors, Supervisors, Presidents, Substantial Person-in-charge, substantial shareholders and subsidiaries with more than 10% shareholding, litigation that has been determined or is currently pending as at the date of printing of the Annual Report. Non-contentious or administrative disputes, the outcome of which may have a material impact on the Company's shareholders' equity or securities prices: None.

(13) Other significant risks and contingency measures: None.

7. Other important matters: None.

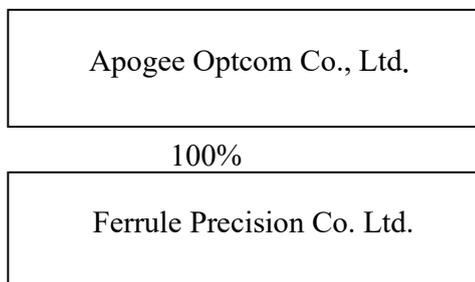
## VIII. Special Disclosure

### 1. Information on Affiliate Companies

#### (1) Consolidated Operating Statement of Affiliated Enterprises

##### A. Overview of Affiliates

##### (a) Organization Chart of Affiliates



##### (b) Basic Information on Affiliates

April 30, 2024; Unit: NT\$1,000

Company Name	Establishment Date	Address	Paid-in Capital	Main Business Item
Ferrule Precision Co. Ltd.	2013.03.05	2/F, No. 16, Lane 31, Sec. 1, Huan Dong Road, New City District, Tainan City 2/F, No. 16, Lane 31, Sec. 31, Tainan City	7,000	Mainly manufacturing wired and wireless communication equipment.

(c) Information on the same shareholders who are presumed to be in a controlling and subordinate relationship: None.

(d) Information on Directors, Supervisors and Presidents of affiliated companies

(April 30, 2024)

Unit: 1000 shares

Company Name	Title	Name or Representative	Shares held	
			Shares	Percentage of shareholding
Ferrule Precision Co. Ltd.	Chairman	Apogee Optcom Co., Ltd.	700	100%
		(Rep: Law Lee)		
Ferrule Precision Co. Ltd.	Director & President	Apogee Optcom Co., Ltd.	700	100%
		(Rep: Blue Lan)		
Ferrule Precision Co. Ltd.	Director	Apogee Optcom Co., Ltd.	700	100%
		(Rep: Huang Yinglin)		
Ferrule Precision Co. Ltd.	Supervisor	Apogee Optcom Co., Ltd.	700	100%
		(Rep: Peter Sun)		

(5) Overview of the operations of the affiliated companies (2023)

Unit: NT\$1,000

Company Name	Capital	Total Assets	Total Liabilities	Net Profits	Operating Revenue	Operating Profits	Profit or loss for the period (after tax)	Earnings per share (NT\$) (after tax)
Ferrule Precision Co. Ltd	7,000	1,558	8,688	(7,130)	-	(8,636)	(125)	(0.18)

(2) Consolidated Financial Statements of Affiliates: See Pages 86 to 150.

(3) Affiliated enterprise report: Not applicable.

2. In the most recent year and as of the publication date of the annual report, the status of private placement of securities: None.

3. In the most recent year and up to the publication date of the annual report, the holding or disposal of the company's stocks by subsidiaries: None.

4. Other Necessary supplementary notes: None.

IX In the most recent year and as of the date of publication of the annual report, matters have occurred that have a significant impact on shareholders' equity or the price of securities: None.